



## **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2020**

# JOE GQABI DISTRICT MUNICIPALITY

## INDEX

<b><u>Content</u></b>	<b><u>Page</u></b>
General Information	1 - 3
Report of the Auditor General	
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	9 - 10
- Statement of Financial Performance	11 - 12
- Cash Flow Statement	13 - 14
Notes to the Financial Statements - Accounting Policies	15 - 47
Notes to the Financial Statements	48 - 110
<b>APPENDICES - Unaudited</b>	
A   Schedule of External Loans	111
B   Disclosure of Grants and Subsidies	112

# JOE GQABI DISTRICT MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Joe Gqabi District Municipality performs the functions as set out in the Constitution. (Act no 108 of 1996)

### LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

Walter Sisulu Local Municipality (Burgersdorp, Venterstad, Steynsburg, Aliwal North and Jamestown)

Senqu Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)

Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

### MEMBERS OF THE MAYORAL COMMITTEE

Position	Councillor	Ward
Executive Mayor	Z I Dumzela	
Speaker	T Z Notyeke	
Councillor	E M Lakabane	Portfolio head: Financial Services
Councillor	S Mei	Portfolio head: Technical Services
Councillor	L M Tokwe	Portfolio head: Corporate Services
Councillor	D D Mvumvu	Portfolio head: Community Services

### MUNICIPAL MANAGER

Mr Z A Williams

### CHIEF FINANCIAL OFFICER

Ms S du Toit

### OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services
Ms F J Sephton	- Director: Community Services
Mr H Z Jantjie	- Director: Corporate Services
Mr M Nonjola	- Director: Institutional support and advancement
Ms N Mshumi	- Chief Operations Officer
Mr D Lusawana	- Manager Water Service provider

# JOE GQABI DISTRICT MUNICIPALITY

## GENERAL INFORMATION

### REGISTERED OFFICE

C/o Cole and Graham Street, Barkley East, 9786

### POSTAL ADDRESS

P/Bag X102, Barkley East, 9786

### AUDITORS

Office of the Auditor General (EC)

### PRINCIPLE BANKERS

ABSA, PO Box 323, Bloemfontein, 9300

### ATTORNEYS

Vuba Incorporated, Mtatha

### AUDIT COMMITTEE

C Sparg	- Chairperson
L Smith	- Member
A Jordan	- Member
H Marsberg	- Member

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Labour Relation Amendment Act (Act 6 of 2014)  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations  
Municipal Regulation on Standard Chart of Accounts (mSCOA)

# JOE GQABI DISTRICT MUNICIPALITY

## GENERAL INFORMATION

### RELEVANT LEGISLATION (CONTINUED)

Disaster Management Act 57 of 2002  
Fire Brigade Services Act 99 of 1987  
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972  
National Veld and Forest Fire Act 101 of 1998  
National Water Act 36 of 1998  
National Health Act of 1997  
Occupational Health and Safety Act and Regulation 85 of 1993  
Municipal Cost Containment Regulations, 2019

### MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL - PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	T Z Notyeke
Councillors: JGDM	EM Lakabane D Mvumvu S Mei L Tokwe NU Hlathuka N Ngendane AM van Zyl M Yiliwe

### MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL - REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	AP Kwinana M Phuza NP Mposelwa VV Stokhwe XG Magcai NM Phama
Elundini Local Municipality	B Msuthwana (Resigned on 30/07/2019) Z Mampintsha (Sworn in on 30/07/2019) M Telile M Marubela L Booka (Resigned on 30/07/2019) S Mdoda (Sworn in on 30/07/2019) L Pili N Ntaopane
Walter Sisulu Local Municipality	DF Hartkopf (Resigned on 3/10/2019) V Davids L Nkunzi E Theron (Sworn in on 30/01/2020)



# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Actual)
<b>ASSETS</b>			
<b>Total Current Assets</b>		<b>315 655 209</b>	<b>230 904 412</b>
<b>Current Assets</b>		<b>23 709 510</b>	<b>7 022 616</b>
Cash and Cash Equivalents	2	21 523 934	4 845 072
Inventory	3	2 185 576	2 177 544
<b>Current Assets from Exchange Transactions</b>		<b>278 171 640</b>	<b>213 270 410</b>
Receivables from Exchange Transactions	4	278 171 640	213 270 410
<b>Current Assets from Non-Exchange Transactions</b>		<b>13 774 059</b>	<b>10 611 386</b>
Unpaid Conditional Government Grants	5	13 774 059	10 611 386
<b>Total Non-Current Assets</b>		<b>1 757 789 036</b>	<b>1 774 085 341</b>
Non-Current Investments	6	3 759 509	3 665 509
Investment Property	7	2 347 732	2 393 352
Property, Plant And Equipment	8	1 751 672 050	1 768 008 984
Intangible Assets	9	9 745	17 496
<b>Total Assets</b>		<b>2 073 444 245</b>	<b>2 004 989 753</b>
<b>Total Current Liabilities</b>		<b>162 051 290</b>	<b>156 882 561</b>
<b>Current Liabilities</b>		<b>38 408 282</b>	<b>31 841 051</b>
Current Employee Benefits	10	38 408 282	31 841 051
<b>Current Liabilities from Exchange Transactions</b>		<b>121 428 476</b>	<b>117 281 386</b>
Current Portion of Long-Term Liabilities	11	603 599	2 625 487
Consumer Deposits	12	1 029 952	975 566
Payables from Exchange Transactions	13	115 738 923	108 143 168
South African Revenue Services	14	4 056 003	5 537 165
<b>Current Liabilities from Non-Exchange Transactions</b>		<b>2 214 532</b>	<b>7 760 124</b>
Unspent Conditional Government Grants	15	2 214 532	7 760 124
<b>Total Non-Current Liabilities</b>		<b>31 752 973</b>	<b>38 677 453</b>
<b>Non-Current Liabilities</b>		<b>29 028 534</b>	<b>35 131 063</b>
Employee Benefits	16	29 028 534	35 131 063
<b>Non-Current Liabilities from Exchange Transactions</b>		<b>2 724 440</b>	<b>3 546 390</b>
Long-Term Liabilities	11	2 724 440	3 546 390
<b>Total Liabilities</b>		<b>193 804 263</b>	<b>195 560 014</b>
<b>Net Assets</b>		<b>1 879 639 982</b>	<b>1 809 429 739</b>
<b>Community Wealth</b>			
Accumulated Surplus	17	1 879 639 982	1 809 429 739
<b>Total Community Wealth</b>		<b>1 879 639 982</b>	<b>1 809 429 739</b>

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

REVENUE	Notes	2020 R (Actual)	2019 R (Actual)
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>569 868 066</b>	<b>538 585 475</b>
<b>Transfer Revenue</b>		<b>558 095 322</b>	<b>533 532 202</b>
Government Grants and Subsidies - Capital	18	130 682 148	127 552 820
Government Grants and Subsidies - Operating	18	427 413 174	405 334 383
Public Contributions and Donations - Operating	19	-	645 000
<b>Other Revenue</b>		<b>11 772 744</b>	<b>5 053 273</b>
Actuarial Gains	20	11 698 324	4 951 029
Inventory Adjustments	21	74 420	102 244
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>162 557 602</b>	<b>159 778 774</b>
<b>Operating Activities</b>		<b>162 557 602</b>	<b>159 778 774</b>
Service Charges	22	123 252 192	124 541 317
Interest Earned - External Investments	23	2 399 572	3 255 361
Interest Earned - Outstanding Debtors	24	36 584 550	31 364 363
Other Income	25	321 287	617 733
<b>TOTAL REVENUE</b>		<b>732 425 668</b>	<b>698 364 249</b>
<b>EXPENDITURE</b>			
Employee Related Costs	26	238 217 407	222 350 946
Remuneration of Councillors	27	6 056 030	5 979 722
Debt Impairment	28	63 821 053	71 724 178
Depreciation and Amortisation	29	123 915 975	54 752 453
Repairs and Maintenance	30	8 065 886	12 509 260
Finance Charges	31	4 246 367	5 302 597
Bulk Purchases	32	6 628 169	5 742 801
Contracted Services	33	12 881 720	16 227 167
Transfers and Grants	34	6 610 114	8 900 000
Operating grant expenditure	35	96 651 271	76 676 315
Other Expenditure	36	93 942 861	114 832 943
Loss on Disposal of PPE	37	1 178 572	648 755
<b>TOTAL EXPENDITURE</b>		<b>662 215 425</b>	<b>595 647 135</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>70 210 243</b>	<b>102 717 114</b>



# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2020

	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2018 - Previously Reported</b>	<b>1 693 624 366</b>	<b>1 693 624 366</b>
Prior Period Adjustment - Refer to note 38.02	13 088 259	13 088 259
<b>Balance on 30 June 2018 - Restated</b>	<b>1 706 712 625</b>	<b>1 706 712 625</b>
Net Surplus for the Year	102 717 114	102 717 114
<b>Balance on 30 June 2019</b>	<b>1 809 429 739</b>	<b>1 809 429 739</b>
Net Surplus for the Year	70 210 243	70 210 243
<b>Balance on 30 June 2020</b>	<b>1 879 639 982</b>	<b>1 879 639 982</b>

# JOE GQABI DISTRICT MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Service Charges		21 863 994	19 300 785
Other Revenue		9 646 172	6 948 775
Government - Operating		424 380 499	414 102 044
Government - Capital		125 006 558	127 552 820
Interest		2 305 572	3 161 361
<b>Payments</b>			
Suppliers		(212 003 291)	(211 405 947)
Employees		(235 857 999)	(226 020 230)
Finance Charges		(558 834)	(869 575)
Transfers and Grants		(6 610 114)	(8 900 000)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>39</b>	<b>128 172 557</b>	<b>123 870 033</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(108 704 241)	(128 777 945)
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(108 704 241)</b>	<b>(128 777 945)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in Consumer Deposits		54 386	17 719
<b>Payments</b>			
Loans Repaid		(2 843 838)	(2 919 315)
<b>NET CASH USED FINANCING ACTIVITIES</b>		<b>(2 789 453)</b>	<b>(2 901 596)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>16 678 862</b>	<b>(7 809 508)</b>
Cash and Cash Equivalents at the beginning of the year		4 845 072	12 654 580
Cash and Cash Equivalents at the end of the year	<b>40</b>	21 523 934	4 845 072
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>16 678 862</b>	<b>(7 809 508)</b>

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	(300 350)	2 482 964	(2 783 314)
Call Investment Deposits	21 824 284	4 147 643	17 676 641
Consumer Debtors	270 611 629	239 493 791	31 117 838
Other Receivables	21 334 069	9 806 715	11 527 354
Inventory	2 185 576	2 177 544	8 032
<b>Total Current Assets</b>	<b>315 655 209</b>	<b>258 108 657</b>	<b>57 546 552</b>
<b>Non Current Assets</b>			
Investments	3 759 509	3 665 508	94 001
Investment Property	2 347 732	2 347 857	(125)
Property, Plant and Equipment	1 751 672 050	1 881 412 938	(129 740 888)
Intangible Assets	9 745	448 959	(439 214)
<b>Total Non-Current Assets</b>	<b>1 757 789 036</b>	<b>1 887 875 262</b>	<b>(130 086 226)</b>
<b>TOTAL ASSETS</b>	<b>2 073 444 245</b>	<b>2 145 983 919</b>	<b>(72 539 674)</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Borrowing	603 599	1 606 152	(1 002 553)
Consumer Deposits	1 029 952	975 566	54 386
Trade and Other Payables	122 009 457	73 039 040	48 970 417
Provisions and Employee Benefits	38 408 282	31 629 444	6 778 838
<b>Total Current Liabilities</b>	<b>162 051 290</b>	<b>107 250 202</b>	<b>54 801 088</b>
<b>Non-Current Liabilities</b>			
Borrowing	2 724 440	13 539 573	(10 815 133)
Provisions and Employee Benefits	29 028 534	35 461 674	(6 433 140)
<b>Total Non-Current Liabilities</b>	<b>31 752 973</b>	<b>49 001 247</b>	<b>(17 248 274)</b>
<b>TOTAL LIABILITIES</b>	<b>193 804 263</b>	<b>156 251 449</b>	<b>37 552 814</b>
<b>NET ASSETS</b>	<b>1 879 639 983</b>	<b>1 989 732 470</b>	<b>(110 092 489)</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	1 879 639 982	1 989 732 470	(110 092 488)
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 879 639 982</b>	<b>1 989 732 470</b>	<b>(110 092 488)</b>

Refer to note 41.2 for further details relating to material variances.

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	60 440 711	(57 957 747)	2 482 964
Call Investment Deposits	12 000 000	(7 852 357)	4 147 643
Consumer Debtors	145 509 972	93 983 819	239 493 791
Other Receivables	26 275 063	(16 468 348)	9 806 715
Inventory	2 377 840	(200 296)	2 177 544
<b>Total Current Assets</b>	<b>246 603 586</b>	<b>11 505 071</b>	<b>258 108 657</b>
<b>Non-Current Assets</b>			
Investments	3 571 508	94 000	3 665 508
Investment Property	2 393 352	(45 495)	2 347 857
Property, Plant And Equipment	2 017 928 571	(136 515 633)	1 881 412 938
Intangible Assets	364 285	84 674	448 959
<b>Total Non Current Assets</b>	<b>2 024 257 716</b>	<b>(136 382 454)</b>	<b>1 887 875 262</b>
<b>TOTAL ASSETS</b>	<b>2 270 861 302</b>	<b>(124 877 383)</b>	<b>2 145 983 919</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Borrowing	2 870 000	(1 263 848)	1 606 152
Consumer Deposits	900 000	75 566	975 566
Trade and Other Payables	82 404 834	(9 365 794)	73 039 040
Provisions and Employee Benefits	22 922 000	8 707 444	31 629 444
<b>Total Current Liabilities</b>	<b>109 096 834</b>	<b>(1 846 632)</b>	<b>107 250 202</b>
<b>Non Current Liabilities</b>			
Borrowing	76 568 121	(63 028 548)	13 539 573
Provisions and Employee Benefits	51 277 601	(15 815 927)	35 461 674
<b>Total Non-Current Liabilities</b>	<b>127 845 722</b>	<b>(78 844 475)</b>	<b>49 001 247</b>
<b>TOTAL LIABILITIES</b>	<b>236 942 556</b>	<b>(80 691 107)</b>	<b>156 251 449</b>
<b>NET ASSETS</b>	<b>2 033 918 746</b>	<b>(44 186 276)</b>	<b>1 989 732 470</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	2 033 918 746	(44 186 276)	1 989 732 470
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2 033 918 746</b>	<b>(44 186 276)</b>	<b>1 989 732 470</b>

Refer to note 41.2 for further details relating to material variances.

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
<b>REVENUE BY SOURCE</b>			
Service Charges - Water Revenue	105 963 909	135 742 638	(29 778 729)
Service Charges - Sanitation Revenue	17 288 284	31 316 600	(14 028 316)
Rental Of Facilities and Equipment	-	336 000	(336 000)
Interest Earned - External Investments	2 399 572	6 720 437	(4 320 865)
Interest Earned - Outstanding Debtors	36 584 550	41 832 478	(5 247 928)
Licences and Permits	-	5 999	(5 999)
Agency Services	-	519 310	(519 310)
Transfers Recognised - Operational	427 413 174	407 530 542	19 882 632
Other Revenue	12 094 031	19 436 655	(7 342 624)
<b>TOTAL OPERATING REVENUE</b>	<b>601 743 520</b>	<b>643 440 659</b>	<b>(41 697 139)</b>
<b>EXPENDITURE BY TYPE</b>			
Employee Related Costs	238 217 407	231 213 661	7 003 746
Remuneration of Councillors	6 056 030	6 062 281	(6 251)
Debt Impairment	63 821 053	76 020 004	(12 198 951)
Depreciation & Asset Impairment	123 915 975	49 979 743	73 936 232
Finance Charges	4 246 367	5 930 000	(1 683 633)
Bulk Purchases	6 628 169	5 750 000	878 169
Contracted Services	117 598 876	124 709 192	(7 110 316)
Transfers and Grants	6 610 114	8 616 601	(2 006 487)
Other Expenditure and Materials	93 942 861	80 342 336	13 600 525
Loss on Disposal of PPE	1 178 572	-	1 178 572
<b>TOTAL OPERATING EXPENDITURE</b>	<b>662 215 425</b>	<b>588 623 818</b>	<b>73 591 607</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(60 471 905)</b>	<b>54 816 841</b>	<b>(115 288 746)</b>
Transfers Recognised - Capital	130 682 148	159 741 181	(29 059 033)
<b>NET SURPLUS FOR THE YEAR</b>	<b>70 210 243</b>	<b>214 558 022</b>	<b>(144 347 779)</b>

Refer to note 41.2 for further details relating to material variances.

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Service Charges - Water Revenue	135 742 638	-	135 742 638
Service Charges - Sanitation Revenue	31 316 600	-	31 316 600
Rental of Facilities and Equipment	336 000	-	336 000
Interest Earned - External Investments	6 720 437	-	6 720 437
Interest Earned - Outstanding Debtors	24 018 138	17 814 340	41 832 478
Licences and Permits	-	5 999	5 999
Agency Services	533 334	(14 024)	519 310
Transfers Recognised - Operational	450 218 700	(42 688 158)	407 530 542
Other Revenue	13 397 925	6 038 730	19 436 655
<b>TOTAL OPERATING REVENUE</b>	<b>662 283 772</b>	<b>(18 843 113)</b>	<b>643 440 659</b>
<b>EXPENDITURE BY TYPE</b>			
Employee Related Costs	226 045 917	5 167 744	231 213 661
Remuneration of Councillors	6 062 281	-	6 062 281
Debt Impairment	76 020 004	-	76 020 004
Depreciation & Asset Impairment	49 956 515	23 228	49 979 743
Finance Charges	7 561 437	(1 631 437)	5 930 000
Bulk Purchases	7 000 000	(1 250 000)	5 750 000
Contracted Services	155 740 192	(31 031 000)	124 709 192
Transfers and Grants	11 715 000	(3 098 399)	8 616 601
Other Expenditure and Materials	68 722 423	11 619 913	80 342 336
<b>TOTAL OPERATING EXPENDITURE</b>	<b>608 823 769</b>	<b>(20 199 951)</b>	<b>588 623 818</b>
<b>OPERATING SURPLUS FOR THE YEAR</b>	<b>53 460 003</b>	<b>1 356 838</b>	<b>54 816 841</b>
Transfers Recognised - Capital	165 024 600	(5 283 419)	159 741 181
<b>NET SURPLUS FOR THE YEAR</b>	<b>218 484 603</b>	<b>(3 926 581)</b>	<b>214 558 022</b>

Refer to note 41.2 for further details relating to material variances.

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Service Charges	21 863 994	97 252 331	(75 388 337)
Other Revenue	9 646 172	14 030 237	(4 384 065)
Government - Operating	424 380 499	407 530 542	16 849 957
Government - Capital	125 006 558	159 741 181	(34 734 623)
Interest	2 305 572	6 720 437	(4 414 865)
<b>Payments</b>			
Suppliers and Employees	(447 861 290)	(505 274 264)	57 412 974
Finance Charges	(558 834)	(5 930 000)	5 371 166
Transfers and Grants	(6 610 114)	(8 616 601)	2 006 487
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>128 172 557</b>	<b>165 453 863</b>	<b>(37 281 306)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Capital Assets	(108 704 241)	(172 062 280)	63 358 039
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(108 704 241)</b>	<b>(172 062 280)</b>	<b>63 358 039</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New Loans Raised	-	10 000 000	(10 000 000)
Increase/(Decrease) in Consumer Deposits	54 386	-	54 386
<b>Payments</b>			
Loans Repaid	(2 843 838)	(1 606 152)	(1 237 686)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(2 789 453)</b>	<b>8 393 848</b>	<b>(11 183 301)</b>
<b>NET INCREASE IN CASH HELD</b>	<b>16 678 862</b>	<b>1 785 431</b>	<b>14 893 431</b>
Cash and Cash Equivalents at the beginning of the year	4 845 072	4 845 476	(404)
Cash and Cash Equivalents at the end of the year	21 523 934	6 630 907	14 893 027
<b>NET INCREASE IN CASH HELD</b>	<b>16 678 862</b>	<b>1 785 431</b>	<b>14 893 431</b>

Refer to note 41.2 for further details relating to material variances.

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

#### ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Service Charges	66 823 655	30 428 676	97 252 331
Other Revenue	14 267 259	(237 022)	14 030 237
Government - Operating	450 218 700	(42 688 158)	407 530 542
Government - Capital	165 024 600	(5 283 419)	159 741 181
Interest	6 720 437	-	6 720 437
<b>Payments</b>			
Suppliers and Employees	(483 200 814)	(22 073 450)	(505 274 264)
Finance Charges	(3 096 500)	(2 833 500)	(5 930 000)
Transfers and Grants	(11 715 000)	3 098 399	(8 616 601)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>205 042 337</b>	<b>(39 588 474)</b>	<b>165 453 863</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Capital Assets	(241 934 000)	69 871 720	(172 062 280)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(241 934 000)</b>	<b>69 871 720</b>	<b>(172 062 280)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New Loans Raised	72 500 000	(62 500 000)	10 000 000
<b>Payments</b>			
Loans Repaid	(2 870 000)	1 263 848	(1 606 152)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>69 630 000</b>	<b>(61 236 152)</b>	<b>8 393 848</b>
<b>NET INCREASE IN CASH HELD</b>	<b>32 738 337</b>	<b>(30 952 906)</b>	<b>1 785 431</b>
Cash and Cash Equivalents at the beginning of the year	27 702 374	(22 856 898)	4 845 476
Cash and Cash Equivalents at the end of the year	60 440 711	(53 809 804)	6 630 907
<b>NET INCREASE IN CASH HELD</b>	<b>32 738 337</b>	<b>(30 952 906)</b>	<b>1 785 431</b>

Refer to note 41.2 for further details relating to material variances.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1 ACCOUNTING POLICIES**

#### **1.1 BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### **1.2 TRANSITIONAL PROVISIONS**

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

#### **1.3 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.4 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis. The expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.5 COMPARATIVE INFORMATION

#### 1.5.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

### 1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.7 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.8.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the Amendments to the Standards of GRAP for "Presentation of Financial Statements" which was issued in April 2019. The amendments effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	1 April 2020
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 23	Impairment of Cash-generating Assets	1 April 2020
GRAP 104	Financial Instruments	1 April 2020

The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

The effect of the above-mentioned amendments and improvements to the Standards of GRAP which were early adopted is considered insignificant. The amendments and improvements to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

#### **1.8.1 GRAP 18 - Segment Reporting (effective 1 April 2020)**

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### **1.8.2 GRAP 34 - Separate Financial Statements (effective 1 April 2020)**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

#### **1.8.3 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### **1.8.4 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### **1.8.5 GRAP 37 - Joint Arrangements (effective 1 April 2020)**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

#### **1.8.6 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

#### 1.8.7 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

#### 1.8.8 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

### 1.8.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

#### 1.8.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.9 INVESTMENT PROPERTY**

#### **1.9.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **1.9.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.9.3 Depreciation – Cost Model**

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.9 INVESTMENT PROPERTY (CONTINUED)

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	20 - 30
Land	Indefinite

#### 1.9.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.9.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
<b>Infrastructure</b>	
Sewerage Network	7 - 118
Water Network	8 - 101
<b>Land and Buildings</b>	
Land	Indefinite
Buildings	20 - 30
<b>Other Assets</b>	
Special Vehicles	10 – 16
Motor vehicles	5 – 17
Office Equipment	7 – 15
Furniture and Fittings	7 – 16
Tool and Equipment	5 – 15
Computer Equipment	3 – 17
Fire Engines	5 – 12

#### 1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.11 INTANGIBLE ASSETS

#### 1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

#### 1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.11 INTANGIBLE ASSETS (CONTINUED)

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	3 - 10

#### 1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.12.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.12.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### 1.12.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.12 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)**

#### **1.12.4 Reversal of an impairment loss**

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.13 INVENTORIES**

#### **1.13.1 Initial Recognition**

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.13 INVENTORIES (CONTINUED)**

#### **1.13.2 Subsequent Measurement**

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

### **1.14 EMPLOYEE BENEFITS**

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### **1.14.1 Post-Retirement Benefits**

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.14 EMPLOYEE BENEFITS (CONTINUED)**

#### **1.14.1.1 Multi-employer defined benefit plans**

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### **1.14.1.2 Post Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### **1.14.2 Long-term Benefits**

#### **1.14.2.1 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.2.2 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.3 Short-term Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

##### 1.14.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 1.14.3.2 *Staff Bonuses Accrued*

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

#### 1.14.3.3 *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 1.15 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.15 PROVISIONS (CONTINUED)

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

### 1.16 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.16.1 Municipality as Lessee

##### 1.16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

##### 1.16.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

#### 1.16.2 Municipality as Lessor

##### 1.16.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.17 FINANCIAL INSTRUMENTS

#### 1.17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.17 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.17.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

##### 1.17.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

##### 1.17.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

#### 1.17.4 Derecognition of financial instruments

##### 1.17.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.17 FINANCIAL INSTRUMENTS (CONTINUED)**

#### **1.17.4.2 Financial liabilities**

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

#### **1.17.5 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.18 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.18.1 Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

#### **1.18.2 Subsequent Measurement**

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

#### **1.18.3 Impairment and uncollectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.18 STATUTORY RECEIVABLES (CONTINUED)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

### 1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

### 1.21 SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.24 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 UNPAID CONDITIONAL GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants and subsidies.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.26 NON-CURRENT INVESTMENTS

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.27 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.27.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### 1.27.1.1 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

##### 1.27.1.2 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.27 REVENUE (CONTINUED)**

#### **1.27.1.3 Unclaimed deposits**

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

#### **1.27.1.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

#### **1.27.1.5 Services in-kind**

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

#### **1.27.1.6 Contributed Assets**

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

### **1.27.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

#### **1.27.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.27 REVENUE (CONTINUED)

Service charges relating to water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

#### 1.27.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

#### 1.27.2.3 *Rental income*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### 1.27.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 1.27.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.27 REVENUE (CONTINUED)

#### 1.27.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.27.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

### 1.32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.34 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.35 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the Municipality and a related party, regardless of whether a price is charged.

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

### 1.36 ACCOUNTING BY PRINCIPLES AND AGENTS

An agent is an entity that has been directed another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principle and for the benefit of the principle.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.36 ACCOUNTING BY PRINCIPLES AND AGENTS (CONTINUED)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with this Standard.

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

Where the Municipality acts as an agent, it recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.37.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.37.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.37.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

#### 1.37.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

#### **1.37.5 Post-Retirement, Long-term Benefits and Ex gratia gratuities**

The cost of post retirement medical obligations, long-service awards and Ex gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **1.37.6 Provisions and Contingent Liabilities**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### **1.37.7 Distinguishing between Financial Instruments and Statutory Receivables**

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

#### **1.37.8 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 1.37.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

#### 1.37.10 Recognition and Derecognition of Land

In order for land to meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

#### 1.37.11 Applying materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

#### 1.37.12 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

#### 1.37.13 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Primary Bank Account	(371 950)	693 960
Call and short-term investments deposits	21 824 284	4 115 512
Cash floats	300	300
Petty cash	71 300	35 300
<b>Total</b>	<b>21 523 934</b>	<b>4 845 072</b>
Due to the short term nature of cash deposits, all balances included above is in line with their fair value.		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	2 214 532	7 760 124
Less: Unpaid Conditional Grants	(13 774 059)	(10 611 386)
Recourses available for internal distribution	33 083 462	7 696 334
<b>Total</b>	<b>21 523 934</b>	<b>4 845 072</b>
<b>Primary Bank Account</b>		
ABSA Bank - Barkly East Branch - 23 800 000 19		
Bank Statement Balance - Opening Balance	693 962	651 107
Bank Statement Balance - Closing Balance	(371 950)	693 962
Cashbook Balance - Opening Balance	693 960	651 107
Cashbook Balance - Closing Balance	(371 950)	693 960
<b>Call and short-term investments deposits</b>		
Call and Notice Deposits consist out of the following accounts:		
ABSA - Acc no 9084169245	15 516 703	4 055 724
ABSA - Acc no 9185426744	6 300 502	1 390
ABSA - Acc no 9072226158	1 467	1 386
ABSA - Acc no 9122637071	2 740	2 670
ABSA - Acc no 9270029895	1 803	1 706
ABSA - Acc no 9276836949	1 069	52 636
<b>Total</b>	<b>21 824 284</b>	<b>4 115 512</b>

Interest between 3.50% and 4.65% (2019 - 3.50% and 4.65%) were attracted by these short term deposits.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>3 INVENTORY</b>		
Fuel and oil – at cost	417 070	481 078
Stationery and materials - at cost	270 049	270 049
Spare parts - at cost	894 803	897 183
Water stock - net realisable value	603 654	529 234
<b>Total</b>	<b>2 185 576</b>	<b>2 177 544</b>

No inventory were pledged as security for liabilities.

Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.

Inventory recognised as an expense during the year.	66 388	565 398
Inventory Adjustments made for the year (surplus)/loss.	(74 420)	(102 244)

Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and balance in store at year end. The cost of the meters were expensed during the year.

Number of pre paid meters procured for the period:	-	-
Number of pre paid meters in stores at year end:	1 636	2 818

### 4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2020

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>608 543 588</b>	<b>336 285 394</b>	<b>272 258 194</b>
Water	445 102 664	241 671 123	203 431 541
Sewerage	146 384 740	79 204 651	67 180 089
Walter Sisulu Local Municipality	17 056 184	15 409 620	1 646 564
<b>Other Receivables</b>	<b>7 958 388</b>	<b>2 044 942</b>	<b>5 913 446</b>
Working for Wetlands	1 870 293	-	1 870 293
Deposits	144 961	-	144 961
Staff and other debtors	5 357 734	2 044 942	3 312 792
Joe Gqabi Economic Development Agency	585 400	-	585 400
<b>Total</b>	<b>616 501 976</b>	<b>338 330 336</b>	<b>278 171 640</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 4 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2019

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>470 570 840</b>	<b>265 049 963</b>	<b>205 520 877</b>
Water	332 301 618	182 058 986	150 242 632
Sewerage	121 213 038	67 581 356	53 631 681
Walter Sisulu Local Municipality	17 056 184	15 409 620	1 646 564
<b>Other Receivables</b>	<b>9 794 474</b>	<b>2 044 942</b>	<b>7 749 532</b>
Working for Wetlands	2 050 218	-	2 050 218
Deposits	144 961	-	144 961
Staff and other debtors	5 709 648	2 044 942	3 664 706
Joe Gqabi Economic Development Agency	1 889 648	-	1 889 648
<b>Total</b>	<b>480 365 314</b>	<b>267 094 905</b>	<b>213 270 410</b>

Walter Sisulu Local Municipality (Previously known as Gariep Local Municipality and Maletswai Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement. The amount disclosed is not the same as in the records of Walter Sisulu Local Municipality. The transactions processed by the said entity is under dispute and is therefore also resulting in no movement in the balance. Attempts during the year under review did not bear any fruits.

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 2% is charged on overdue accounts.

	2020 R	2019 R
<b>Ageing of service receivables:</b>		
<b>Water Ageing</b>		
Current (0 - 30 days)	12 603 397	12 677 214
Past Due (31 - 60 Days)	13 272 867	12 253 774
Past Due (61 - 90 Days)	9 882 374	13 620 821
Past Due (90 Days +)	415 874 203	293 749 809
<b>Total</b>	<b>451 632 840</b>	<b>332 301 618</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>4 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Sewerage Ageing</b>		
Current (0 - 30 days)	2 540 480	3 888 681
Past Due (31 - 60 Days)	2 564 197	3 605 626
Past Due (61 - 90 Days)	1 978 435	3 442 736
Past Due (90 Days +)	139 301 628	110 275 994
<b>Total</b>	<b>146 384 740</b>	<b>121 213 038</b>
<b>Other Services Ageing</b>		
Current (0 - 30 days)	618 133	-
Past Due (31 - 60 Days)	55 258	-
Past Due (61 - 90 Days)	51 155	-
Past Due (90 Days +)	26 100 678	26 850 659
<b>Total</b>	<b>26 825 224</b>	<b>26 850 659</b>
<b>Total Service Receivables Ageing</b>		
Current (0 - 30 days)	15 762 010	16 565 895
Past Due (31 - 60 Days)	15 892 322	15 859 400
Past Due (61 - 90 Days)	11 911 963	17 063 557
Past Due (90 Days +)	581 276 509	430 876 462
<b>Total</b>	<b>624 842 804</b>	<b>480 365 314</b>
<b>Reconciliation of Allowance for impairment</b>		
Balance at the beginning of the year	267 094 905	186 987 978
Contribution to the provision	71 235 432	80 106 927
Water	59 612 137	65 485 341
Sewerage	11 623 295	14 621 586
Bad Debts Written off	-	-
<b>Balance at the end of the year</b>	<b>338 330 336</b>	<b>267 094 905</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 5 UNPAID CONDITIONAL GOVERNMENT GRANTS

National Government	11 750 672	5 269 648
Provincial Government	2 023 387	5 341 738
Other Grant Providers	-	-
<b>Total Unpaid Grants</b>	<b>13 774 059</b>	<b>10 611 386</b>

Unpaid Conditional Grants and Receipts consist out of the following:

Accelerated Community Infrastructure Programme (ACIP)	85 103	85 103
Municipal Infrastructure Grant (MIG)	4 563 240	4 563 241
Municipal Systems Improvement Grant (MSIG)	200	200
Public Works - Special Programme	5 872 395	2 710 589
Regional Bulk Infrastructure Grant	621 104	621 104
Environmental Health PR actioners	2 023 387	-
Provincial Treasury drought relief programme	607 761	607 761
Financial Management Grant (FMG)	868	-
<b>Total Unpaid Grants</b>	<b>13 774 059</b>	<b>8 587 997</b>

The prior year figures were reclassified as the Public Works - Special Programme (R 2 710 589) incorrectly included as part of National Government instead of Provincial Government.

### 6 NON-CURRENT INVESTMENTS

#### Financial Instruments

Fixed Deposits	1 865 454	1 771 453
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#### Unlisted

Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
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Cost	6 886 141	6 886 141
Provision for Impairment	(4 992 086)	(4 992 086)

<b>Total</b>	<b>3 759 509</b>	<b>3 665 509</b>
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Fixed deposit consist of the following accounts:

ABSA - Account number 660000135 - DBSA Loan	<b>1 865 454</b>	<b>1 771 453</b>
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The fixed deposit serve as collateral security for the DBSA Building loan - Refer to note 11

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2019 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 6 NON-CURRENT INVESTMENTS (CONTINUED)

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JoGEDA became operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA at a time when the Agency had other income than only being funded by the Municipality. The value was not revalued in the last three financial years due to the municipality being the sole funders. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements is R 10 210 894 (2019 - R9 449 362).

### 7 INVESTMENT PROPERTY

Investment Property - Carrying Value

2020  
R

2019  
R

2 347 732

2 393 352

The movement in investment properties is reconciled as follows:

#### Opening Carrying Value

2 393 352

2 438 848

Cost

2 883 357

2 883 357

Accumulated Depreciation

(490 004)

(444 509)

Depreciation for the year

(45 620)

(45 496)

#### Closing Carrying Value

2 347 732

2 393 352

Cost

2 883 357

2 883 357

Accumulated Depreciation

(535 625)

(490 004)

No revenue derived from the rental of investment property.

No operating expenditure was incurred on investment property during the 2019/2020 and 2018/2019 financial years on investment properties..

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 8 PROPERTY PLANT AND EQUIPMENT

Reconciliation of Carrying Value:

30 June 2020	Cost					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>17 787 494</b>	-	-	-	<b>17 787 494</b>	<b>7 115 944</b>	<b>589 348</b>	-	<b>7 705 292</b>	<b>10 082 202</b>
Land	2 043 000	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	15 744 494	7 115 944	589 348	-	7 705 292	8 039 202
<b>Infrastructure</b>	<b>2 189 862 654</b>	<b>108 358 577</b>	<b>(2 985 230)</b>	-	<b>2 295 236 002</b>	<b>448 645 991</b>	<b>121 429 050</b>	<b>(1 806 658)</b>	<b>568 268 383</b>	<b>1 726 967 619</b>
Sewerage network	384 131 911	-	(1 921 620)	23 667 192	405 877 483	103 106 113	30 657 805	(978 237)	132 785 682	273 091 801
Water network	1 424 504 817	-	(1 063 610)	80 817 468	1 504 258 675	345 539 877	90 771 245	(828 421)	435 482 701	1 068 775 974
Work in Progress	381 225 926	108 358 577	-	(104 484 659)	385 099 844	-	-	-	-	385 099 844
<b>Other Assets</b>	<b>42 885 910</b>	<b>345 664</b>	-	-	<b>43 231 574</b>	<b>26 765 139</b>	<b>1 844 205</b>	-	<b>28 609 345</b>	<b>14 622 229</b>
Office Equipment	2 613 217	-	-	-	2 613 217	1 918 451	97 371	-	2 015 822	597 395
Furniture & Fittings	3 828 667	12 750	-	-	3 841 417	2 878 847	87 817	-	2 966 664	874 754
Motor Vehicles	14 297 676	-	-	-	14 297 676	8 792 817	354 970	-	9 147 787	5 149 890
Fire Engines	10 228 477	-	-	-	10 228 477	7 623 257	472 683	-	8 095 940	2 132 537
Computer Equipment	4 507 323	190 700	-	-	4 698 024	1 800 291	378 041	-	2 178 333	2 519 691
Special Vehicles	4 101 916	-	-	-	4 101 916	1 889 954	311 878	-	2 201 832	1 900 083
Tools and Equipment	3 308 633	142 214	-	-	3 450 847	1 861 522	141 446	-	2 002 967	1 447 880
<b>Total</b>	<b>2 250 536 058</b>	<b>108 704 241</b>	<b>(2 985 230)</b>	-	<b>2 356 255 070</b>	<b>482 527 074</b>	<b>123 862 604</b>	<b>(1 806 658)</b>	<b>604 583 020</b>	<b>1 751 672 050</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2019	Cost					Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>17 787 494</b>	-	-	-	<b>17 787 494</b>	<b>6 528 191</b>	<b>587 753</b>	-	<b>7 115 944</b>	<b>10 671 550</b>
Land	2 043 000	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	15 744 494	6 528 191	587 753	-	7 115 944	8 628 550
<b>Infrastructure</b>	<b>2 064 234 699</b>	<b>126 851 318</b>	<b>(1 223 363)</b>	-	<b>2 189 862 654</b>	<b>397 230 319</b>	<b>52 163 794</b>	<b>(748 122)</b>	<b>448 645 991</b>	<b>1 741 216 664</b>
Sewerage network	362 731 274	-	(319 727)	21 720 364	384 131 911	92 389 845	10 940 893	(224 624)	103 106 113	281 025 798
Water network	1 381 771 638	1 968 657	(903 636)	41 668 158	1 424 504 817	304 840 474	41 222 901	(523 498)	345 539 877	1 078 964 940
Work in Progress	319 731 787	124 882 661	-	(63 388 522)	381 225 926	-	-	-	-	381 225 926
<b>Other Assets</b>	<b>41 261 995</b>	<b>1 926 626</b>	<b>(302 712)</b>	-	<b>42 885 910</b>	<b>25 374 248</b>	<b>1 520 130</b>	<b>(129 239)</b>	<b>26 765 139</b>	<b>16 120 770</b>
Office Equipment	2 656 350	-	(43 134)	-	2 613 217	1 863 543	97 517	(42 609)	1 918 451	694 766
Furniture & Fittings	3 825 005	3 662	-	-	3 828 667	2 792 180	86 667	-	2 878 847	949 821
Motor Vehicles	14 362 676	-	(65 000)	-	14 297 676	8 397 814	453 499	(58 496)	8 792 817	5 504 860
Fire Engines	8 924 094	1 304 383	-	-	10 228 477	7 528 926	94 331	-	7 623 257	2 605 219
Computer Equipment	4 115 338	567 242	(175 256)	-	4 507 323	1 467 798	342 075	(9 582)	1 800 291	2 707 032
Special Vehicles	4 101 916	-	-	-	4 101 916	1 578 929	311 026	-	1 889 954	2 211 961
Tools and Equipment	3 276 616	51 340	(19 322)	-	3 308 633	1 745 058	135 015	(18 551)	1 861 522	1 447 112
<b>Total</b>	<b>2 123 284 189</b>	<b>128 777 945</b>	<b>(1 526 075)</b>	-	<b>2 250 536 058</b>	<b>429 132 759</b>	<b>54 271 676</b>	<b>(877 361)</b>	<b>482 527 074</b>	<b>1 768 008 984</b>

The prior year figures have been restated - Refer to note 38.01

There are 27 assets included in the Infrastructure fixed asset register with a Zero carrying value. The initial capital cost of these assets were cumulatively below R300 000

The detail of the Work in progress follows. No depreciation was recorded against these assets as they are still under construction.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020**

**8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)**

Reconciliation of Work in Progress

30 June 2020	Opening Balance	Expenditure Incurred (VAT Exclusive)	Completed	Closing Balance	Civil	Electrical	Mechanical	Other	Project started	Number of years project is on WIP	Comment
Project Name	R	R	R	R	R	R	R	R			
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	779 473	-	-	-	779 473	2014/15	1	No delays
LADY GREY BULK WATER SUPPLY	30 852 934	-	-	30 852 934	19 064 734	984 474	10 803 726	-	2010/11	2	No delays
RBIG - LADY GREY BULK WATER	12 467 703	-	(2 122 344)	10 345 359	9 410 282	311 693	623 385	-	2015/16	3	No delays.
MT FLETCHER BULK WATER SUPPLY-PHASE 2	32 700 023	-	-	32 700 023	30 299 908	1 437 632	962 483	-	2010/11	2	No delays. Completed in 2019/20
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	25 465 930	1 972 504	-	27 438 435	24 032 469	349 808	3 056 158	-	2010/11	9	Project implemented in phases. R207,659 mill capitalised since 2011/12. Final phase completed 2019/20.
KHWEZI NALEDI BUCKET ERADICATION & SANITATION	282 811	-	-	282 811	-	-	-	282 811	-	4	No delays
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	25 627 417	223 120	(20 737 962)	5 112 575	4 475 300	65 451	571 824	-	2010/11	2	No delays. Completed in 2019/20
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	38 256 974	7 867 386	-	46 124 360	31 393 780	2 455 097	12 275 483	-	2012/13	3	No delays. Consultants. Completed in 2019/20
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	12 621 603	752 297	-	13 373 900	13 373 900	-	-	-	2012/13	3	No delays. Consultants. Completed in 2019/20
WSOS STERKSPRUIT WTW REFURBISHMENT	212 360	-	(65 610)	146 751	146 751	-	-	-	2012/13	9	Project implemented in phases. Different phases capitalised since 2013/14. Final phase to be completed in 2020/21.
SENQU RURAL WATER SUPPLY	35 611 113	30 127 914	-	65 739 027	59 538 500	-	6 200 527	-	2013/14	6	Project is a phase of the Sterkspruit Bulk Water Scheme. Unbundling delayed due to main contractor being terminated in 2017/18.
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE	12 830 160	-	-	12 830 160	12 060 350	128 302	641 508	-	2013/14	1	No delays
RBIG - Sterkspruit Bulk Sanitation - started 2015	7 462 110	-	-	7 462 110	-	-	-	7 462 110	2014/15	2	No delays
DOH - Barkly East WTP Upgrade for 298 housing development	21 447 210	13 768 262	-	35 215 472	26 763 758	-	8 451 713	-	2014/15	1	No delays
PT - Geohydrological Investigation Burgersdorp	931 010	-	-	931 010	931 010	-	-	-	2015/16	8	Final phase completed in 2019/20.
PT - Gariep Drought Relief Consultancy Services	8 627 437	-	(8 627 437)	-	-	-	-	-	2015/16	4	No delays. Planning studies
PT - Maletswai Drought Relief Consultancy Services	48 567	-	-	48 567	4 371	6 799	37 396	-	2015/16	3	Completed in 2019/20
PT - Rehab mech plant WWTW and Phola Park PS, Aliwal North	-	-	-	-	-	-	-	-	2015/16	7	Partnership with ORIO in Netherlands. Project in design stage. Delays due to cumbersome compliance processes by ORIO at tender stage.
PT - Lady Grey Drought Relief Consultancy Services	7 207 132	-	(7 207 132)	-	-	-	-	-	2015/16	2	No delays
WSOS - Refurbishment of Oviston WTW Phase 1	7 441 422	-	-	7 441 422	6 598 874	-	701 961	140 587	2015/16	9	No undue delays. Project implemented in phases. Delay due to tender interdicted. R8,537 mill capitalised 2015/16 for emergency work.
PT - Lady Grey - Sub project 4 Additional Storage & Boreholes	25 854 645	4 693 441	(30 548 086)	-	-	-	-	-	2016/17	6	No undue delays. Multi-year project. Project implemented in phases. R30,629 mill capitalised over last 3 years.
PT - Burgersdorp - Plantation sump and boreholes	-	-	-	-	-	-	-	-	2016/17	6	No delays
WSIG - Oviston WTW Refurbishment Phase 2	2 769 328	-	(2 769 328)	-	-	-	-	-	2016/17	1	No delays. Completed in 2019/20
WSIG - EMPILISWENI HOSPITAL EMERGENCY SEWER WORKS	4 492 727	-	-	4 492 727	3 932 714	57 516	502 496	-	2016/17	1	No delays (apart from Covid19 shutdown). Project due for completion in 2020/21 year.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (P)	10 481 709	-	(8 627 437)	1 854 271	1 854 271	-	-	-	2016/17	5	Project implemented in phases. Phase 2 to be completed in 2020/21
PT - Burgersdorp 6MI Reservoir	19 029 401	-	(19 029 401)	-	-	-	-	-	2017/18	7	No delays
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT (Pipelines)	4 233 802	-	-	4 233 802	4 233 802	-	-	-	2017/18	2	No undue delays. Project is in Implementation Ready Phase. Awaiting Water Affairs approval.
TELEMETRY SYSTEM	2 782 753	13 694 473	-	16 477 226	(0)	16 477 226	-	-	2017/18	4	Costs to date are for the planning and design stages only. Project in final design stage.
REFURBISHMENT OF ALI WAL NORTH WTW	900 000	-	(900 000)	-	-	-	-	-	-	5	No delays
STERKSPRUIT SEWERAGE AND EXPENDITURE CAPITALISE	5 415 547	-	-	5 415 547	5 415 547	-	-	-	2018/19	2	No delays

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020**

**8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)**

30 June 2020											
Project Name	Opening Balance R	Expenditure Incurred (VAT Exclusive) R	Completed R	Closing Balance R	Civil R	Electrical R	Mechanical R	Other R	Project started	Number of years project is on WIP	Comment
Refurbish WTWs	15 609 384	2 002 952	-	17 612 335	3 078 376	2 831 291	11 325 163	377 505	2017/18	7	No undue delays. Project funds feasibility studies only.
Augment clear water storage	6 086 957	441 425	-	6 528 381	6 528 381	-	-	-		3	No delays. Construction period is 3 years.
Bulk meters	1 765 698	1 790 228	-	3 555 926	(0)	-	3 555 926	-	2017/18	2	No delays
MIG PLANNING STUDIES	930 587	-	-	930 587	-	-	-	930 587	2012/13	5	No undue delays. Project is in study and design phase. Design and approval of new dam subjected to extensive DWS processes.
Refurbishment of Venterstad & Oviston WWTW	-	2 680 635	-	2 680 635	2 680 635	-	-	-	2019/20	1	No delays
Refurbishment of Aliwal North & Burgersdorp WWTW	-	7 746 076	(3 849 922)	3 896 154	-	797 724	3 098 431	-	2019/20	1	No delays
Refurbishment of Mt Fletcher WTW	-	727 827	-	727 827	-	-	727 827	-	2019/20	1	No delays
Electro-mechanical Assets Replacement	-	4 296 951	-	4 296 951	-	2 148 475	2 148 475	-	2019/20	1	No delays
Elundini Drought Relief Mitigation	-	1 457 382	-	1 457 382	-	-	-	1 457 382	2019/20	1	No delays
District Wide Drought Relief Mitigation	-	7 752 259	-	7 752 259	-	2 325 678	4 651 355	775 226	2019/20	1	No delays
Jamestown WTW	-	2 839 448	-	2 839 448	-	2 839 448	-	-	2019/20	1	No delays
Ugie Pipeline	-	1 442 164	-	1 442 164	1 442 164	-	-	-	2019/20	1	No delays
Herschel Booster Pumps	-	2 081 834	-	2 081 834	-	1 457 284	624 550	-	2019/20	1	No delays
<b>Total</b>	<b>381 225 926</b>	<b>108 358 577</b>	<b>(104 484 659)</b>	<b>385 099 844</b>	<b>267 259 877</b>	<b>34 673 896</b>	<b>70 960 390</b>	<b>12 205 681</b>			

30 JUNE 2019											
Project Name	Opening Balance R	Expenditure Incurred (VAT Exclusive) R	Completed R	Closing Balance R	Civil R	Electrical R	Mechanical R	Other R	Project started	Number of years project is on WIP	Comment
Telemetry Systemm	13 363 978	19 296 541	(29 877 766)	2 782 753	-	2 782 753	-	-	2017/18	1	No delays.
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM (Pump station)	18 534 609	8 792 837	(16 845 737)	10 481 709	6 238 327	1 168 781	2 170 603	903 997	2016/17	2	No delays.
PT - Rehab mech plant WWTW and Phola Park PS, Aliwal North	3 288 980	277 602	(3 566 582)	-	-	-	-	-	2015/16	3	No delays.
PT - Lady Grey - Sub project 4 Additional Storage & Boreholes	18 946 158	6 908 487	-	25 854 645	22 656 866	400 491	2 797 288	-	2016/17	2	No delays.
MT FLETCHER BULK WATER SUPPLY-PHASE 2	25 498 634	7 201 389	-	32 700 023	30 299 908	1 437 632	962 483	-	2010/11	8	Project implemented in phases. R207,659 mill capitalised since 2011/12. Final phase to be completed 2018/19.
PT - Burgersdorp - Plantation sump and boreholes	4 533 815	3 957 897	(8 491 712)	-	-	-	-	-	2016/17	2	No delays.
PT - Gariep Drought Relief Consultancy Services	10 059 173	2 418 186	(3 849 922)	8 627 437	6 231 416	-	149 287	2 246 735	2015/16	3	No delays. Consultants. R10,705 mill capitalised to date.
PT - Lady Grey Drought Relief Consultancy Services	5 304 137	1 902 995	-	7 207 132	6 451 819	94 596	660 717	-	2015/16	3	No delays. Consultants. R6,671 mill capitalised 2017/18.
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	24 955 461	510 469	-	25 465 930	6 532 807	1 944 515	16 988 608	-	2010/11	8	Project implemented in phases. R11,478 mill capitalised since 2013/14. Final phase delayed after contractor was terminated in 2017/18.
PT - Replace Water Mains in Queenstown Rd, Burgersdorp	410 294	-	(410 294)	-	-	-	-	-			Completed
WSOS STERKSPRUIT WTW REFURBISHMENT	212 360	-	-	212 360	212 360	-	-	-	2012/13	6	Project is a phase of the Sterkspruit Bulk Water Scheme. Unbundling delayed due to main contractor being terminated in 2017/18.
REFURBISHMENT OF ALIWAL NORTH WTW	900 000	-	-	900 000	-	-	-	900 000	2017/18	1	No delays.
WSIG - EMPILISWENI HOSPITAL EMERGENCY SEWER WORKS	4 492 727	-	-	4 492 727	4 492 727	-	-	-	2016/17	2	No delays.
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT (Pipelines)	4 233 802	-	-	4 233 802	4 233 802	-	-	-	2017/18	1	No delays.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020**

**8 PROPERTY PLANT AND EQUIPMENT (CONTINUED)**

30 JUNE 2019	Opening Balance	Expenditure Incurred (VAT Exclusive)	Completed	Closing Balance	Civil	Electrical	Mechanical	Other	Project started	Number of years project is on WIP	Comment
Project Name	R	R	R	R	R	R	R	R			
LADY GREY BULK WATER SUPPLY	30 852 934	-	-	30 852 934	19 064 734	984 474	10 803 726	-	2010/11	8	No undue delays. Project implemented in phases over the years. Final phase to be completed in 2018/19.
PT - Geohydrological Investigation Burgersdorp	931 010	-	-	931 010	931 010	-	-	-	2015/16	3	No delays.
PT - Maletswai Drought Relief Consultancy Services	48 567	-	-	48 567	4 371	6 799	37 396	-	2015/16	3	No delays. R7,249 mill capitalised to date.
KHWEZI NALEDI BUCKET ERADICATION & SANITATION	282 811	-	-	282 811				282 811	2015/16	3	No delays.
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	12 147 174	474 429	-	12 621 603	12 621 603	-	-	-	2012/13	6	Partnership with ORIO in Netherlands. Project in design stage. Delays due to cumbersome compliance processes by ORIO at tender stage.
Bulk meters	-	2 112 207	(346 508)	1 765 698	-	-	1 765 698	-	2017/18	1	No delays.
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	22 626 664	3 000 753	-	25 627 417	21 401 087	586 766	3 639 564	-	2010/11	8	No undue delays. Project implemented in phases. Phase 1 - R13,495 mill capitalised in 2014/15. Current WIP is Phase 2 to be completed in 2019.
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE	9 165 729	3 664 431	-	12 830 160	12 060 350	128 302	641 508	-	2013/14	5	No undue delays. Project at tender stage. R8,537 mill capitalised 2015/16 for emergency work.
SENQU RURAL WATER SUPPLY	31 544 480	4 066 633	-	35 611 113	31 712 850	-	3 898 263	-	2013/14	5	No undue delays. Project implemented in phases. R30,629 mill capitalised over last 3 years.
Augment clear water storage	-	6 086 957	-	6 086 957	6 086 957	-	-	-	2018/19	0	No delays.
PT - Burgersdorp GMI Reservoir	6 897 235	12 132 166	-	19 029 401	15 340 412	-	3 688 989	-	2017/18	1	No delays.
DOH - Barkly East WTP Upgrade for 298 housing development	7 878 614	13 568 596	-	21 447 210	16 299 880	-	5 147 330	-	2014/15	4	Delays due to funder (Human Settlements) not honouring funding agreement. Alt funding secured from MIG. R4,504 mill capitalised 2014/15.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	25 356 272	12 900 702	-	38 256 974	26 159 950	2 016 171	10 080 853	-	2012/13	6	Project implemented in phases. Design & tender took 3 years. Construction phase 1 started 2015. Delays due to non-performance of contractor.
Refurbish WTWs	-	15 609 384	-	15 609 384	2 728 289	2 509 304	10 037 216	334 574	2017/18	1	No delays.
RBIG - LADY GREY BULK WATER	12 467 703	-	-	12 467 703	11 532 626	311 693	623 385	-	2015/16	3	No undue delays. Project is in Implementation Ready Phase
RBIG - Sterkspruit Bulk Sanitation - started 2015	7 462 110	-	-	7 462 110	-	-	-	7 462 110	2014/15	4	No undue delays. Feasibility and Implementation Ready Study took 3 years. Project at final design and tender.
STERKSPRUIT SEWERAGE AND EXPENDITURE CAPITALISE	5 415 547	-	-	5 415 547	5 415 547	-	-	-	2018/19	1	No delays.
MIG PLANNING STUDIES	930 587	-	-	930 587	-	-	-	930 587	2012/13	6	No undue delays. Project funds feasibility studies only.
WSOS - Refurbishment of Oviston WTW Phase 1	7 441 422	-	-	7 441 422	6 598 874	-	701 961	140 587	2015/16	3	No delays. Construction period is 3 years.
WSIG - Oviston WTW Refurbishment Phase 2	2 769 328	-	-	2 769 328	2 769 328	-	-	-	2016/17	2	No delays.
Ugie Bulk Water Infrastructure Phase B	779 473	-	-	779 473	-	-	-	779 473	2014/15	4	No undue delays. Project is in study and design phase. Design and approval of new dam subjected to extensive DWS processes.
<b>Total</b>	<b>319 731 787</b>	<b>124 882 661</b>	<b>(63 388 522)</b>	<b>381 225 926</b>	<b>278 077 899</b>	<b>14 372 276</b>	<b>74 794 878</b>	<b>13 980 873</b>			

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>9 INTANGIBLE ASSETS</b>		
Intangible Assets - Carrying Value	<b>9 745</b>	<b>17 496</b>
The movement in intangible assets is reconciled as follows (Computer Software):		
<b>Opening Carrying Value</b>	<b>17 496</b>	<b>452 822</b>
Cost	1 214 020	4 395 577
Accumulated Amortisation	(1 196 523)	(3 942 754)
Disposals	-	(41)
Cost	-	(3 181 557)
Accumulated Amortisation	-	3 181 516
Amortisation for the year	(7 751)	(435 285)
<b>Closing Carrying Value</b>	<b>9 745</b>	<b>17 496</b>
Cost	1 214 020	1 214 020
Accumulated Amortisation	(1 204 275)	(1 196 523)

The financial systems previously bought has reach the end of the useful life as at 30 June 2019.

No Work In Progress was included in carrying value of intangible assets.

Intangible Assets consist only out of Computer Software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>10 CURRENT EMPLOYEE BENEFITS</b>		
Bonuses	5 517 719	5 217 758
Staff Leave	19 100 341	15 559 938
Performance Bonuses	9 741 618	6 625 390
Other Provisions	582 342	582 342
Current Portion of Non-Current Employee Benefits	3 466 262	3 855 623
Post Retirement Medical Benefits	1 352 000	1 751 801
Long Service Awards	2 047 205	2 047 205
Ex Gratia Gratuities	67 057	56 617
<b>Total</b>	<b>38 408 282</b>	<b>31 841 051</b>

The movement in current employee benefits are reconciled as follows:

### Bonuses

Opening Balance	5 217 758	5 720 246
Contribution during the year	10 584 493	10 697 276
Payments made	(10 284 532)	(11 199 765)
<b>Closing Balance</b>	<b>5 517 719</b>	<b>5 217 758</b>

Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out annually in December or pro-rata when employment is terminated.

### Staff Leave

Opening Balance	15 559 938	15 800 828
Contribution during the year	5 761 052	2 138 627
Payments made	(2 220 649)	(2 379 517)
<b>Closing Balance</b>	<b>19 100 341</b>	<b>15 559 938</b>

Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>10 CURRENT EMPLOYEE BENEFITS</b>		
<b><u>Performance Bonuses</u></b>		
Opening Balance	6 625 390	5 814 809
Contribution during the year	3 116 228	3 260 529
Payments made	-	(2 449 948)
<b>Closing Balance</b>	<b>9 741 618</b>	<b>6 625 390</b>
<p>Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council.</p>		
<b><u>Other Provisions</u></b>		
Opening Balance	-	582 342
<b>Closing Balance</b>	<b>-</b>	<b>582 342</b>
<p>Other provisions are non-recurring provisions which consists out of the following at year end:</p> <ul style="list-style-type: none"> <li>- Shortfall in annual earnings of Cape Joint Pension Fund</li> </ul>		
<p>It was reported that the established investment return of the fund for the 2009 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.</p>		
<b>11 LONG-TERM LIABILITIES</b>		
Annuity Loans	3 328 039	5 087 872
Finance Leases	-	1 084 005
<b>Sub-Total</b>	<b>3 328 039</b>	<b>6 171 877</b>
Less: Current portion of Long-term Liabilities	603 599	2 625 487
Annuity Loans	603 599	1 541 482
Finance Leases	-	1 084 005
<b>Total</b>	<b>2 724 440</b>	<b>3 546 390</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 11 LONG-TERM LIABILITIES (CONTINUED)

Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East, water meters and sanitation infrastructure. A new hire purchase was taken up with ABSA for twenty five (25) bakkies and three (3) TLB's in the water service department and the period is 3 years only.

Included in Non-current Investments, as per note 6, is an amount of R 1 856 454 (2019 - R 1 771 453) held as guarantee by the DBSA.

	2020 R	2019 R
<b>Annuity Loans</b>		
Development Bank of South Africa (DBSA)	3 328 039	3 863 170
The loan was raised to finance the main municipal building in Barkly East. Interest is calculated at 11.50% (2019 - 11.50%) and instalments are paid every 6 months. The loan will be fully redeemed on 31 December 2024.		
Amalgamated Banks of South Africa (ABSA)	-	1 224 702
The loan was raised to finance water meters. Interest is calculated at 10.73% (2019 - 10.73%) and instalments are paid every 6 months. The loan was fully redeemed on 1 March 2020.		
	<b>3 328 039</b>	<b>5 087 872</b>

Further detail relating to Annuity Loans is included in Appendix A.

Annuity loans are payable as follows:

Payable within one year	968 850	2 260 214
Payable within two to five years	3 390 976	3 875 401
Payable after five years	-	484 425
<b>Total amount payable</b>	<b>4 359 826</b>	<b>6 620 040</b>
<b>Less:</b> Outstanding Future Finance Charges	(1 031 787)	(1 532 167)
<b>Present value of annuity loans</b>	<b>3 328 039</b>	<b>5 087 873</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 11 LONG-TERM LIABILITIES (CONTINUED)

#### Finance Leases

Finance Leases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	ABSA Vehicle Finance	Prime Rate	2019/10/31

Assets and liabilities associated with finance leases:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2020 R	2019 R	2020 R	2019 R
1	3 405 980	3 424 432	-	1 084 005
	<b>3 405 980</b>	<b>3 424 432</b>	<b>-</b>	<b>1 084 005</b>

Finance Leases are payable as follows:

Payable within one year	-	1 108 218
<b>Total amount payable</b>	<b>-</b>	<b>1 108 218</b>
<b>Less:</b> Outstanding Future Finance Charges	-	(24 213)
<b>Present value of finance leases</b>	<b>-</b>	<b>1 084 005</b>
	<b>2020 R</b>	<b>2019 R</b>

### 12 CONSUMER DEPOSITS

Water	1 029 952	975 566
<b>Total</b>	<b>1 029 952</b>	<b>975 566</b>
Guarantees held in lieu of Water Deposits	-	-

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit when consumers do open the account themselves, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>13 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	104 532 505	94 480 562
Retentions	4 340 975	6 689 324
Interest Accrued	95 668	155 721
Unallocated Receipts	216 082	121 749
Payments received in advance	2 531 792	2 380 964
Senqu Local Municipality	4 021 900	4 314 847
<b>Total</b>	<b>115 738 923</b>	<b>108 143 168</b>
Payables are being recognised net of any discounts received		
As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.		
Deposits amounting to R144 961 (2019 - R144 961) serve as security for Payables. The remainder of Payables are unsecured.		
<b>14 SOUTH AFRICAN REVENUE SERVICES</b>		
VAT Payable	4 056 003	5 537 165
<b>Total</b>	<b>4 056 003</b>	<b>5 537 165</b>
VAT is accounted for on the cash basis.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies		
<b>15 UNSPENT CONDITIONAL GOVERNMENT GRANTS</b>		
National Government	2 214 532	7 760 124
<b>Total Unspent Grants</b>	<b>2 214 532</b>	<b>7 760 124</b>
Total Conditional Grants and Receipts due to Municipality taking into account unpaid grants included in note 5	<b>11 559 527</b>	<b>827 873</b>

The prior year figures were reclassified as the Rural Roads Asset Management Grant (R 2 080 535) and Rural Households Infrastructure Grant (R4 000) were incorrectly included as part of Provincial Government instead of National Government.

Also refer to Appendix B for further detail relating to grants.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>16 EMPLOYEE BENEFITS</b>		
Post Retirement Medical Benefits	22 748 000	29 083 000
Ex Gratia Gratuities	99 796	97 437
Long Service Awards	9 647 000	9 806 250
<b>Sub-Total</b>	<b>32 494 796</b>	<b>38 986 686</b>
Less: Current portion of Employee Benefits	<b>3 466 262</b>	<b>3 855 623</b>
Post Retirement Medical Benefits	1 352 000	1 751 801
Ex Gratia Gratuities	67 057	56 617
Long Service Awards	2 047 205	2 047 205
<b>Total</b>	<b>29 028 534</b>	<b>35 131 063</b>

### 16.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

<b>Opening Balance</b>	<b>29 083 000</b>	<b>29 401 000</b>
Contribution during the year	4 628 627	6 131 303
Current Service Cost	1 592 942	2 250 572
Interest Cost	3 035 685	3 880 731
Payments made	(626 589)	(539 351)
Actuarial Gain	(10 337 039)	(5 909 952)
<b>Total balance at year-end</b>	<b>22 748 000</b>	<b>29 083 000</b>
Less Current Portion	1 352 000	1 751 801
<b>Total</b>	<b>21 396 000</b>	<b>27 331 199</b>

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2020	2019
In-service members	204	213
Continuation members	38	41
<b>Total</b>	<b>242</b>	<b>254</b>

The liability in respect of past service has been estimated to be as follows:

	2020 R	2019 R
In-service members	10 829 000	13 975 000
Continuation members	11 919 000	15 108 000
<b>Total Unfunded Liability</b>	<b>22 748 000</b>	<b>29 083 000</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 16 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2018 R	2017 R	2016 R
In-service members	18 506 000	19 375 151	21 320 577
Continuation members	10 895 000	10 463 000	10 845 443
<b>Total Unfunded Liability</b>	<b>29 401 000</b>	<b>29 838 151</b>	<b>32 166 020</b>

Experience adjustments were calculated as follows:

	2020 R	2019 R
Liabilities: (Gain)/Loss	(4 024 000)	1 758 000
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2018 R	2017 R	2016 R
Liabilities: (Gain)/Loss	(3 420 000)	(1 544 000)	293 000
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas	Hosmed
LA Health	Samwumed

Key Actuarial Assumptions used are as follows:

	2020	2019
<b>Interest Rates</b>		
Discount rate	10.19%	9.22%
Health Care Cost Inflation Rate	6.30%	6.73%
Net Effective Discount Rate	3.66%	2.33%
Maximum subsidy inflation rate	4.35%	4.67%
Net-of-maximum-subsidy-inflation discount rate	5.60%	4.34%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

#### Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age with a 1 % mortality improvement p.a from 2010 was used by the actuaries.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 16 EMPLOYEE BENEFITS (CONTINUED)

#### Normal Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

#### Last Valuation

The last valuation was performed on 23 October 2020.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

**The amounts recognised in the Statement of Financial Performance are:**

Employee Related Cost - Current Service Cost	1 592 942	2 250 572
Finance Charges - Interest Cost	3 035 685	3 880 731
Actuarial Gain	(10 337 039)	(5 909 952)
	<hr/>	<hr/>
<b>Net amount charged to Statement of Financial Performance</b>	<b>(5 708 412)</b>	<b>221 351</b>
	<hr/>	<hr/>

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost R	Interest Cost R	Total Cost R	% change
Future Cost	1 173 000	2 657 000	3 830 000	
Health care inflation				
+ 1%	1 324 000	2 916 000	4 240 000	11%
- 1%	989 000	2 369 000	3 358 000	-12%
Discount rate				
+ 1%	969 000	2 563 000	3 532 000	-8%
- 1%	1 436 000	2 760 000	4 196 000	10%
Post-retirement mortality				
+ 1 year	1 143 000	2 574 000	3 717 000	-3%
- 1 year	1 199 000	2 740 000	3 939 000	3%
Average retirement age				
- 1 year	1 299 000	2 829 000	4 128 000	8%
Continuation of membership at retirement				
- 10%	854 000	2 239 000	3 093 000	-19%

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 16 EMPLOYEE BENEFITS (CONTINUED)

#### 16.2 Ex Gratia Gratuities

The movement in Ex Gratia Gratuities are reconciled as follows:

	2020 R	2019 R
<b>Opening Balance</b>	<b>97 437</b>	<b>334 654</b>
Contribution during the year	5 067	(44 222)
Current and Past Service Cost	-	(66 055)
Interest Cost	5 067	21 833
Payments made	(32 720)	(162 217)
Actuarial Loss/(Gain)	30 012	(30 778)
<b>Total balance at year-end</b>	<b>99 796</b>	<b>97 437</b>
Less Current Portion	67 057	56 617
<b>Total</b>	<b>32 739</b>	<b>40 820</b>

The Ex Gratia Gratuities plans are defined benefit plans.

The following members are eligible for Ex Gratia benefits:

	2020	2019
Ex Gratia Members	11	12

The liability in respect of past service has been estimated to be as follows:

	2020 R	2019 R
Ex Gratia Members	99 796	97 437
<b>Total Unfunded Liability</b>	<b>99 796</b>	<b>97 437</b>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2018 R	2017 R	2016 R
In-service members	334 654	375 653	416 515
<b>Total Unfunded Liability</b>	<b>334 654</b>	<b>375 653</b>	<b>416 515</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
16	<b>EMPLOYEE BENEFITS (CONTINUED)</b>		
	Experience adjustments were calculated as follows:		
	Liabilities: (Gain)/Loss	51 895	(40 747)
	Assets: Gain/(Loss)	-	-
	Experience adjustments were calculated as follows in years prior to the comparative year:		
		2018 R	2017 R
	Liabilities: (Gain)/Loss	(63 908)	9 436
	Assets: Gain/(Loss)	-	-
		2020	2019
	Key Actuarial Assumptions used are as follows:		
	<b>Interest Rates</b>		
	Discount rate	5.00%	7.28%
	The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"		
	<b>Normal Retirement Age</b>		
	The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.		
	<b>Last Valuation</b>		
	The last valuation was performed on 23 October 2020.		
	<b>Actuarial Valuation Method</b>		
	The Projected Unit Credit Method has been used to value the liabilities.		
		2020 R	2019 R
	<b>The amounts recognised in the Statement of Financial Performance are:</b>		
	Employee Related Cost - Current Service Cost	-	(66 055)
	Finance Charges - Interest Cost	5 067	21 833
	Actuarial Loss/(Gain)	30 012	(30 778)
	<b>Net amount charged to Statement of Financial Performance</b>	<b>35 079</b>	<b>(75 000)</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 16 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service		Total Cost	% change
	Cost R	Interest Cost R	R	
Future Cost	-	3 337	3 337	
Discount rate				
+ 1%	-	3 954	3 954	18%
- 1%	-	2 705	2 705	-19%
Average retirement age				
- 1 years	-	2 889	2 889	-13%
			<b>2020</b> R	<b>2019</b> R

#### 16.3 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

<b>Opening Balance</b>	<b>9 806 250</b>	<b>7 481 008</b>
Contribution during the year	1 987 453	1 497 758
Current Service Cost	1 280 619	922 504
Interest Cost	706 834	575 254
Payments made	(755 407)	(162 217)
Actuarial (Gain)/Loss	(1 391 296)	989 701
<b>Total balance at year-end</b>	<b>9 647 000</b>	<b>9 806 250</b>
Less Current Portion	2 047 205	2 047 205
<b>Total</b>	<b>7 599 795</b>	<b>7 759 045</b>

The following members are eligible for long service bonuses:

	<b>2020</b>	<b>2019</b>
In-service members	496	542

The liability in respect of past service has been estimated to be as follows:

	<b>2020</b> R	<b>2019</b> R
In-service members	9 647 000	9 806 250
<b>Total Unfunded Liability</b>	<b>9 647 000</b>	<b>9 806 250</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 16 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2018 R	2017 R	2016 R
In-service members	7 481 008	5 509 980	4 715 680
<b>Total Unfunded Liability</b>	<b>7 481 008</b>	<b>5 509 980</b>	<b>4 715 680</b>

Experience adjustments were calculated as follows:

	2020 R	2019 R
Liabilities: (Gain)/Loss	435 190	87 999
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2018 R	2017 R	2016 R
Liabilities: (Gain)/Loss	(63 822)	160 071	(740 579)
Assets: Gain/(Loss)	-	-	-
		<b>2020</b>	<b>2019</b>

Key Actuarial Assumptions used are as follows:

#### Interest Rates

Discount rate	7.10%	8.03%
General Salary Inflation (long-term)	3.80%	5.50%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.18%	2.40%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

#### Normal Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

#### Last Valuation

The last valuation was performed on 23 October 2020.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
16	<b>EMPLOYEE BENEFITS (CONTINUED)</b>		
	<b>The amounts recognised in the Statement of Financial Performance are:</b>		
	Employee Related Cost - Current Service Cost	1 280 619	922 504
	Finance Charges - Interest Cost	706 834	575 254
	Actuarial Loss/(Gain)	(1 391 296)	989 701
	<b>Net amount charged to Statement of Financial Performance</b>	<b>596 157</b>	<b>2 487 459</b>

### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

	Current Service Cost R	Interest Cost R	Total Cost R	% change
Assumption				
Future Cost	1 119 000	634 000	1 753 000	
General salary inflation				
+ 1%	1 196 000	673 000	1 869 000	7%
- 1%	1 048 000	598 000	1 646 000	-6%
Discount rate				
+ 1%	1 055 000	681 000	1 736 000	-1%
- 1%	1 186 000	580 000	1 766 000	1%
Average retirement age				
+ 2 years	1 183 000	690 000	1 873 000	7%
- 2 years	1 030 000	559 000	1 589 000	-9%
Withdrawal rates				
x 200 %	845 000	506 000	1 351 000	-23%
x 50 %	1 312 000	721 000	2 033 000	16%

### 16.4 Other Pension Benefits

	2020 R	2019 R
<b>Defined Benefit Plans</b>		

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>16 EMPLOYEE BENEFITS (CONTINUED)</b>		
As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
Therefore, although the Consolidated Retirement Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.		
Council contributes to the following defined benefit plans:		
Consolidated Retirement Fund (former Cape Retirement Fund)	12 209 221	11 273 495
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 124.9%. (Previous valuation on 30 June 2017 - 127.3%)		
<b>Total</b>	<b>12 209 221</b>	<b>11 273 495</b>
<b>Defined Contribution Plans</b>		
Council contributes to the following defined contribution plans:		
Government Employees Pension Fund	693 090	678 643
Municipal Councillors Pension Fund	425 056	443 041
IMATU Retirement Fund	2 644 054	2 440 286
SAMWU National Provident Fund	2 325 720	2 593 580
SALA Pension Fund	1 633 605	1 568 446
<b>Total</b>	<b>7 721 525</b>	<b>7 723 997</b>
The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>17 RESERVES</b>		
Accumulated Surplus	1 879 639 982	1 809 429 739
<b>Total</b>	<b>1 879 639 982</b>	<b>1 809 429 739</b>
<b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants - National Government</b>	<b>273 796 000</b>	<b>258 283 000</b>
Equitable Share	273 796 000	258 283 000
<b>Unconditional Grants - Other National Departments</b>	<b>61 568</b>	<b>292 359</b>
LG Seta	61 568	292 359
<b>Conditional Grants - National Government</b>	<b>252 068 458</b>	<b>218 414 955</b>
Finance Management Grant (FMG)	1 785 868	1 319 918
Municipal Infrastructure Grant (MIG)	156 868 000	153 873 622
Expanded Public Works Program (EPWP)	1 504 000	2 224 002
Water Services Infrastructure Grant (WSIG)	89 675 589	60 997 414
Disaster Relief (COVID 19)	2 235 000	-
<b>Conditional Grants - Provincial Government</b>	<b>32 169 296</b>	<b>55 896 888</b>
Provincial Treasury Drought Relief Programme	5 105 220	30 411 762
Public Works - Special Programme	27 064 076	25 096 025
MIS Asset Management	-	389 100
<b>Total</b>	<b>558 095 322</b>	<b>532 887 202</b>
Disclosed as:		
Government Grants and Subsidies - Capital	130 682 148	127 552 820
Government Grants and Subsidies - Operating	427 413 174	405 334 383
<b>Total</b>	<b>558 095 322</b>	<b>532 887 202</b>

The Municipality does not expect any significant changes to the level of grants.

The movements per grant can be summarised as follows:

### 18.01 Equitable Share

Grants Received	273 796 000	258 283 000
Transferred to Revenue - Operating	(273 796 000)	(258 283 000)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>18.02 LG Seta</b>		
Opening balance	-	292 359
Grants Received	61 568	-
Transferred to Revenue - Operating	(61 568)	(292 359)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

This grant is used to assist with the training needs of the Municipality.

### 18.03 Finance Management Grant (FMG)

Grants received	1 785 000	1 320 000
Transferred to Revenue - Operating	(1 785 868)	(1 319 918)
Transfer to/(from) Receivables	868	(82)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

### 18.03 Municipal Infrastructure Grant (MIG)

Grants received	156 868 000	153 554 000
Transferred to Revenue - Operating	(99 801 564)	(105 612 108)
Transferred to Revenue - Capital	(57 066 436)	(48 261 514)
Monies returned to National Treasury	-	(1 738 721)
Transfer to/(from) Receivables	-	2 058 343
<b>Closing Unspent/Unpaid Balance</b>	<b>-</b>	<b>-</b>

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality's programmes covers both Sanitation and Water projects.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>18.04 Expanded Public Works Program (EPWP)</b>		
Grants Received	1 504 000	2 254 000
Transferred to Revenue - Operating	(1 504 000)	(2 224 002)
Transfer to/(from) Receivables		(29 998)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

### 18.05 Water Services Infrastructure Grant (WSIG)

Opening balance	5 675 589	870 282
Grants Received	84 000 000	66 673 000
Transferred to Revenue - Operating	(20 512 399)	(8 151 119)
Transferred to Revenue - Capital	(69 163 190)	(52 846 295)
Monies returned to National Treasury	-	(870 279)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>5 675 589</b>

This grant is used to provide specific capital funding for the water service infrastructure. This grant replace the previous know Water Services Operating grant and Municipal Water infrastructure grant.

### 18.06 Disaster Relief (COVID 19)

Grants Received	2 235 000	-
Transferred to Revenue - Operating	(2 235 000)	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

This grant was utilised for the purchase of personal protective equipment and other materials in the fight against the COVID-19 pandemic.

### 18.07 Rural Households Infrastructure Grant

Opening balance	4 000	4 000
<b>Closing Unspent Balance</b>	<b>4 000</b>	<b>4 000</b>

The grant was introduced as rapid response to the high infrastructure backlogs in rural areas and was intended to respond to the specific conditions of rural areas which made it too costly to provide rural households with connector services.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>18.08 Rural Roads Asset Management System</b>		
Opening balance	2 080 535	-
Grants Received	2 315 000	2 185 000
Transfer to/(from) Receivables	-	(104 465)
Monies returned to National Treasury	(2 185 000)	-
<b>Closing Unspent Balance</b>	<b>2 210 535</b>	<b>2 080 535</b>
The purpose of the grant is to assist rural district municipalities to set up rural road asset management systems (RRAMS), collect road data, traffic data and road classification in line with the Road Infrastructure Strategic Framework South African (RISFSA).		
<b>18.09 Provincial Treasury Drought Relief Programme</b>		
Opening balance	-	1 221 001
Grants Received	5 105 220	28 583 000
Transferred to Revenue - Operating	(652 698)	(3 966 752)
Transferred to Revenue - Capital	(4 452 522)	(26 445 011)
Transfer to/(from) Receivables	-	607 760
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
This grant is used to provide for the upgrade of critical Water and Sanitation infrastructure.		
<b>18.06 Public Works - Special Programme</b>		
Grants Received	23 902 270	31 411 863
Transferred to Revenue - Operating	(27 064 076)	(25 096 025)
Transfer to/(from) Receivables	3 161 806	(6 315 837)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.		
<b>18.1 MIS Asset Management</b>		
Opening balance	-	389 100
Transferred to Revenue - Operating	-	(389 100)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
The grant is provided to assist with Municipal Asset Management Information System development.		

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>18 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>18.11 Total Grants</b>		
Opening Balance	7 760 124	2 776 742
Grants Received	551 572 058	544 263 863
Transferred to Revenue - Capital	(130 682 148)	(127 552 820)
Transferred to Revenue - Operating	(427 413 174)	(405 334 382)
Monies returned to National Treasury	(2 185 000)	(2 609 000)
Transfer to/(from) Receivables	3 162 675	(3 784 279)
<b>Closing Unspent Balance</b>	<b>2 214 532</b>	<b>7 760 124</b>
<b>19 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Sondela Festival	-	645 000
<b>Total</b>	<b>-</b>	<b>645 000</b>
Disclosed as:		
Public Contributions and Donations - Operating	-	645 000
<b>Total</b>	<b>-</b>	<b>645 000</b>
Cash contributions were received during 2018/19 for the Sondela Festival.		
<b>20 ACTUARIAL GAINS</b>		
Post Retirement Medical Obligations	10 337 039	5 909 952
Ex Gratia Gratuities	(30 012)	30 778
Long Service Awards	1 391 296	(989 701)
<b>Total</b>	<b>11 698 324</b>	<b>4 951 029</b>
<b>21 INVENTORY ADJUSTMENTS</b>		
Stock Surpluses - Refer to note 3	74 420	102 244
<b>Total</b>	<b>74 420</b>	<b>102 244</b>
<b>22 SERVICE CHARGES</b>		
Water Revenue	155 298 086	157 753 104
Sewerage and Sanitation Revenue	34 946 604	35 289 627
<b>Total Revenue</b>	<b>190 244 691</b>	<b>193 042 730</b>
Less: Rebates	(66 992 498)	(68 501 413)
Water Revenue	(49 334 178)	(51 586 013)
Sewerage and Sanitation Revenue	(17 658 321)	(16 915 400)
<b>Total</b>	<b>123 252 192</b>	<b>124 541 317</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
<b>22</b>	<b>SERVICE CHARGES (CONTINUED)</b>		
	Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
<b>23</b>	<b>INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
	Call Investment Deposits	1 559 103	2 947 317
	Primary Bank Account	840 470	308 044
	<b>Total</b>	<b>2 399 572</b>	<b>3 255 361</b>
<b>24</b>	<b>INTEREST EARNED - OUTSTANDING DEBTORS</b>		
	Water Debtors	26 896 130	22 278 385
	Sewerage Debtors	9 569 905	9 085 977
	Other	118 515	-
	<b>Total</b>	<b>36 584 550</b>	<b>31 364 363</b>
<b>25</b>	<b>OTHER INCOME</b>		
	Sundry Income	321 287	122 704
	Administration fee	-	11 851
	Insurance claims	-	167 685
	Ticket sales	-	315 493
	<b>Total</b>	<b>321 287</b>	<b>617 733</b>
<b>26</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Salaries and Wages	150 828 407	144 150 581
	Bonuses	10 584 493	10 697 486
	Contributions for UIF, Pensions and Medical Aids	28 905 273	27 328 223
	Housing Benefits and Allowances	1 510 961	1 912 763
	Overtime Payments	22 050 481	20 652 196
	Performance Bonuses	3 116 228	3 260 529
	Travel, Motor Car, Telephone, Subsistence and Other Allowances	12 586 951	9 103 520
	Staff Leave	5 761 052	2 138 627
	Long Service Awards	1 280 619	2 250 572
	Post Retirement Medical	1 592 942	922 504
	Ex Gratia Gratuities	-	(66 055)
	<b>Total</b>	<b>238 217 407</b>	<b>222 350 946</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 26 EMPLOYEE RELATED COSTS (CONTINUED)

#### Remuneration of Key Personnel

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract. They have all signed a performance agreement in terms of section 51(1)(b) of the Municipal Systems Act, No 32 of 2000

#### Remuneration of the Municipal Manager - ZA Williams

	2020 R	2019 R
Salary and other allowances	1 413 161	1 460 813
Travel Allowance	593 342	372 866
Telephone allowance	36 600	35 400
Contributions to UIF, Medical and Pension Funds	197 601	220 984
Acting allowance	30 000	30 000
Performance Bonuses 16-17	-	342 123
<b>Total</b>	<b>2 270 704</b>	<b>2 462 186</b>

#### Remuneration of the Director Technical Services - RJ Fortuin

Salary and other allowances	1 432 051	1 313 878
Travel Allowance	360 000	360 000
Telephone allowance	22 800	21 600
Contributions to UIF, Medical and Pension Funds	82 351	85 480
Performance Bonuses 16-17	-	290 804
<b>Total</b>	<b>1 897 201</b>	<b>2 071 762</b>

#### Remuneration of the Director Corporate Services - HZ Jantjie

Salary and other allowances	1 479 843	1 357 570
Travel Allowance	84 000	84 000
Telephone allowance	22 800	21 600
Contributions to UIF, Medical and Pension Funds	309 805	304 606
Performance Bonuses 16-17	-	229 582
<b>Total</b>	<b>1 896 448</b>	<b>1 997 358</b>

#### Remuneration of the Acting Director Financial Services - S du Toit

Salary and other allowances	1 545 259	1 450 077
Telephone allowance	22 800	21 600
Contributions to UIF, Medical and Pension Funds	51 929	47 736
Performance Bonuses 16-17	-	195 650
<b>Total</b>	<b>1 619 988</b>	<b>1 715 062</b>

An Acting Chief Financial Officer has been appointed effective 15 April 2015 until the position will be filled.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>26 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Remuneration of the Director Community Services - FJ Sephton</b>		
Salary and other allowances	1 723 892	1 602 220
Travel Allowance	156 000	156 000
Telephone allowance	22 800	21 600
Contributions to UIF, Medical and Pension Funds	1 896	1 890
Performance Bonuses 16-17	-	290 804
<b>Total</b>	<b>1 904 588</b>	<b>2 072 514</b>
<b>Remuneration of the Chief Operations Officer - N Mshumi</b>		
Salary and other allowances	1 262 404	1 144 639
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	265 180	269 519
Acting Allowance	-	7 355
Performance Bonuses 16-17	-	195 398
<b>Total</b>	<b>1 587 584</b>	<b>1 676 911</b>
<b>Remuneration of the Water Service provision Manager - D Lusawana</b>		
Salary and other allowances	1 199 548	1 013 482
Contributions to UIF, Medical and Pension Funds	249 718	235 578
Performance Bonuses 16-17	-	163 325
<b>Total</b>	<b>1 449 265</b>	<b>1 412 385</b>
<b>Remuneration of the ISD Director - NP Nonjola</b>		
Salary and other allowances	1 427 995	1 269 390
Travel Allowance	204 000	204 000
Telephone allowance	34 900	36 000
Contributions to UIF, Medical and Pension Funds	1 896	1 890
Acting Allowance	124 079	105 713
Performance Bonuses 16-17	-	59 070
<b>Total</b>	<b>1 792 870</b>	<b>1 676 063</b>
<b>27 REMUNERATION OF COUNCILLORS</b>		
Councillors' Allowances	5 294 003	5 225 689
Councillors' Pension and Medical Aid Contributions	762 028	754 033
<b>Total</b>	<b>6 056 030</b>	<b>5 979 722</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 27 REMUNERATION OF COUNCILLORS (CONTINUED)

#### In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilise official Council transportation when engaged in official duties.

#### 30 JUNE 2020

Remuneration per Councillor	Remuneration R	Contributions R	Total R
Executive Mayor - ZI Dumzela	778 895	159 355	938 250
Speaker - TZ Notyeke	669 495	89 983	759 478
Mayoral Committee - EM Lakabane	580 248	134 539	714 787
Mayoral Committee - D Mvumvu	635 547	79 240	714 787
Mayoral Committee - S Mei	600 265	114 522	714 787
Mayoral Committee - L Tokwe	600 291	114 496	714 787
Proportional - NU Hokwana	373 119	34 298	407 417
Proportional - N Ngendane	291 675	35 595	327 270
Proportional - AM van Zyl	327 270	-	327 270
Proportional - M Yiliwe	327 270	-	327 270
Representative Councillors	109 928	-	109 928
<b>Total</b>	<b>5 294 003</b>	<b>762 028</b>	<b>6 056 030</b>

#### 30 JUNE 2019

Remuneration per Councillor	Remuneration R	Contributions R	Total R
Executive Mayor - ZI Dumzela	747 268	156 603	903 871
Speaker - TZ Notyeke	644 591	87 384	731 975
Mayoral Committee - EM Lakabane	559 937	129 066	689 003
Mayoral Committee - D Mvumvu	612 136	76 867	689 003
Mayoral Committee - S Mei	590 873	98 289	689 162
Mayoral Committee - L Tokwe	579 464	109 540	689 003
Proportional - NU Hokwana	484 875	61 717	546 592
Proportional - N Ngendane	281 823	34 567	316 390
Proportional - AM van Zyl	316 390	-	316 390
Proportional - M Yiliwe	316 390	-	316 390
Representative Councillors	91 943	-	91 943
<b>Total</b>	<b>5 225 689</b>	<b>754 033</b>	<b>5 979 722</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
<b>28</b>	<b>DEBT IMPAIRMENT</b>		
	Contributions to provision	71 235 432	80 106 927
	Less Movement VAT included in debt impairment	(7 414 379)	(8 382 749)
	<b>Total Debt Impairment</b>	<b>63 821 053</b>	<b>71 724 178</b>
<b>29</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Investment Property	45 620	45 496
	Property, Plant and Equipment	123 862 604	54 271 673
	Intangible Assets	7 751	435 285
	<b>Total</b>	<b>123 915 975</b>	<b>54 752 453</b>
<b>30</b>	<b>REPAIRS AND MAINTENANCE</b>		
	Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
	Infrastructure	6 713 508	5 387 992
	Land and Buildings	22 091	1 802 595
	Other Assets	1 330 287	5 318 673
	<b>Total</b>	<b>8 065 886</b>	<b>12 509 260</b>
	It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes as well as Employee related cost due to the fact that bulk of the repairs and maintenance are done internally.		
<b>31</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	498 781	822 329
	Non-current Employee Benefits	3 747 586	4 477 848
	Other	-	2 420
	<b>Total</b>	<b>4 246 367</b>	<b>5 302 597</b>
<b>32</b>	<b>BULK PURCHASES</b>		
	Water	6 628 169	5 742 801
	<b>Total</b>	<b>6 628 169</b>	<b>5 742 801</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
<b>33</b>	<b>CONTRACTED SERVICES</b>		
	Sanitation Services	12 881 720	13 721 611
	Water Services	-	2 505 557
	<b>Total</b>	<b>12 881 720</b>	<b>16 227 167</b>
<b>34</b>	<b>TRANSFERS AND GRANTS</b>		
	Joe Gqabi Economic Development Agency (SoC) Ltd	6 610 114	8 900 000
	<b>Total</b>	<b>6 610 114</b>	<b>8 900 000</b>
	The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.		
<b>35</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Management Services	-	-
	Financial Services	87 551	352 641
	Corporate Services	-	-
	Technical Services	96 563 720	76 323 674
	Community Services	-	-
	<b>Total</b>	<b>96 651 271</b>	<b>76 676 315</b>
<b>36</b>	<b>OTHER EXPENDITURE</b>		
	Advertising Fees	389 190	592 751
	Audit Fees	5 081 302	3 047 099
	Bank Charges	349 060	444 944
	Bursaries	294 717	-
	Chemicals	8 501 510	8 841 357
	Consulting Fees	3 817 210	16 946 098
	Fuel and oil	6 270 520	9 971 062
	Insurance	3 275 956	4 988 090
	IT Cost	3 552 938	510 193
	Legal Fees	2 075 345	1 362 739
	Marketing	-	335 328
	Material and protective clothing	11 803 313	4 423 984
	Membership Fees	2 818 739	2 138 519
	Occupational Health	185 581	582 280
	Postage	3 105	1 965
	Printing and Stationary	932 696	1 455 301
	Rafi project	-	2 782 609

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
<b>36</b>	<b>OTHER EXPENDITURE (CONTINUED)</b>		
	Rentals	1 635 495	1 219 017
	Security	3 868 095	4 488 984
	Shared Fire Services	-	612 085
	Special Programmes	169 523	4 361 147
	Telephone	3 000 297	3 013 147
	Tourism	-	58 385
	Training	1 542 737	2 794 116
	Travel and Subsistence	13 841 459	19 803 872
	Vehicle Rental	2 932 221	3 604 668
	Water and Electricity	15 483 985	9 028 481
	Water Testing & Quality Monitoring	-	3 127 748
	Wi-fi project	-	169 565
	Other	2 117 867	4 127 408
	<b>Total</b>	<b>93 942 861</b>	<b>114 832 943</b>
<b>37</b>	<b>LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
	Carrying value of Property, Plant and Equipment disposed or written off	1 178 572	648 755
	<b>Total</b>	<b>1 178 572</b>	<b>648 755</b>
<b>38</b>	<b>PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>38.01</b>	<b>PROPERTY PLANT AND EQUIPMENT</b>		
	<b>Balance previously reported</b>		<b>1 759 693 440</b>
	Recognise Infrastructure assets previously not recorded (Deemed Cost)		13 599 956
	Effect on 30 June 2018 (Water Network) - Refer to 38.02		13 599 956
	Work in Progress incorrectly not capitalised up to 30 June 2018		-
	Effect on Work in Progress		(153 437 991)
	Effect on Infrastructure Water Network		153 437 991
	Work in Progress incorrectly not capitalised during 2018/19		-
	Effect on Work in Progress		(13 473 530)
	Effect on Infrastructure Water Network		12 341 634
	Effect on Infrastructure Sewerage Network		1 131 896

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2019 R
<b>38 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)</b>	
Restatement of Accumulated Depreciation up 30 June 2018 as a result of asset adjustments made up to 30 June 2018 - Refer to note 38.02	(511 697)
Effect on Infrastructure Water Network	(630 948)
Effect on Infrastructure Sewerage Network	119 252
Restatement of Depreciation during 2018/19 as a result of asset adjustments made up to 30 June 2019 - Refer to note 38.03	(4 772 715)
Effect on Infrastructure Water Network	(4 698 759)
Effect on Infrastructure Sewerage Network	(73 956)
Allocation error on Infrastructure Cost - 30 June 2018	-
Effect on Infrastructure Water Network	(11 044 044)
Effect on Infrastructure Sewerage Network	11 044 044
Allocation error on Infrastructure Cost - Additions 2018/19	-
Effect on Infrastructure Water Network	(897 751)
Effect on Infrastructure Sewerage Network	897 751
<b>Restated Balance on 30 June 2019</b>	<b>1 768 008 984</b>
<b>38.02 ACCUMULATED SURPLUS</b>	
<b>Balance previously reported</b>	<b>1 801 114 195</b>
Corrections relating to 2018/2019 - Refer to note 38.03	(4 772 715)
<b>Corrections up to 30 June 2018</b>	
Recognise Infrastructure assets previously not recorded - Refer to note 38.01	13 599 956
Restatement of Accumulated Depreciation up 30 June 2018 as a result of asset adjustments made up to 30 June 2018 - Refer to note 38.01	(511 697)
<b>Restated Balance on 30 June 2019</b>	<b>1 809 429 739</b>
<b>38.03 STATEMENT OF FINANCIAL PERFORMANCE</b>	
<b>Surplus previously reported</b>	<b>107 489 829</b>
Operating Grant Revenue incorrectly included as part of Capital Grant Revenue	-
Effect on Government Grants and Subsidies - Capital	(110 408 098)
Effect on Government Grants and Subsidies - Operating	110 408 098
Restatement of Depreciation during 2018/19 as a result of asset adjustments made up to 30 June 2019 - Refer to note 38.01	(4 772 715)
<b>Restated Surplus on 30 June 2019</b>	<b>102 717 114</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>39 NET CASH FROM OPERATING ACTIVITIES</b>		
<b>Net Surplus for the year</b>	70 210 243	102 717 114
Adjusted for:		
Non-Cash Revenue	(11 792 324)	(5 147 273)
Actuarial Gains	(11 698 324)	(4 951 029)
Interest Earned - External Investments	(94 000)	(94 000)
Inventory Adjustments	-	(102 244)
Non-Cash Expenditure	192 663 186	131 603 234
Debt Impairment	63 821 053	71 724 178
Depreciation and Amortisation	123 915 975	54 752 453
Finance Charges	3 747 586	4 477 848
Loss on disposal of PPE	1 178 572	648 755
Contributions - Provisions and Employee Benefits	22 335 334	19 203 454
Post Retirement Medical Benefits	1 592 942	2 250 572
Long Service Awards	1 280 619	922 504
Ex Gratia Gratuities	-	(66 055)
Performance Bonuses	3 116 228	3 260 529
Bonuses	10 584 493	10 697 276
Staff Leave	5 761 052	2 138 627
Expenditure - Provisions and Employee Benefits	(13 919 896)	(16 893 015)
Post Retirement Medical Benefits	(626 589)	(539 351)
Long Service Awards	(755 407)	(162 217)
Ex Gratia Gratuities	(32 720)	(162 217)
Performance Bonuses	-	(2 449 948)
Bonuses	(10 284 532)	(11 199 765)
Staff Leave	(2 220 649)	(2 379 517)
Other adjustments	-	-
Bad Debts Written Off	-	-
Operating Surplus before changes in working capital	259 496 544	231 483 513
Movement in working capital	(131 323 986)	(107 613 480)
Receivables from Exchange Transactions	(128 722 283)	(130 918 854)
Inventory	(8 032)	565 398
Payables from exchange transactions	7 595 756	(606 876)
Unspent Conditional Government Grants	(5 545 592)	4 983 386
Unpaid Conditional government grants	(3 162 673)	3 784 276
South African Revenue Services	(1 481 162)	14 579 190
<b>Cash Flow from Operating Activities</b>	<b>128 172 557</b>	<b>123 870 033</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>40 CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents comprise out of the following:		
Primary Bank Account	(371 950)	693 960
Call and short-term investments deposits	21 824 284	4 115 512
Cash floats	300	300
Petty cash	71 300	35 300
<b>Total</b>	<b>21 523 934</b>	<b>4 845 072</b>

Refer to note 2 for more details relating to cash and cash equivalents.

### 41 BUDGET COMPARISONS

#### 41.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

#### Statement of financial position

Consumer Debtors consist only out of Water and Sanitation Debtors included under Receivables from Exchange Transactions

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats, including the remainder of Receivables from Exchange Transactions after excluding Water and Sanitation debtors.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants and the South African Revenue Services (if in payable position).

Employee Benefits (Current and Non-Current) are included under the provisions line item in the budget statements.

#### Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Inventory Adjustments

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 41 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, the following line items are aggregated:

Contracted Services also includes Operating Grant Expenditure as well as Repairs and Maintenance

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 41.2 MATERIAL VARIANCES

#### Statement of financial position - Budget Adjustments

Cash and Call Investments	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results and as result of the planned receipt by way of borrowings being revised.
Consumer Debtors	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results.
Other Receivables	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results.
Property, Plant And Equipment	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results, adjusting the proposed capital expenditure by transferring funds between capital projects and operational projects and the reduction in planned capital projects funded by the planned borrowings receipt.
Trade and Other Payables	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results.
Provisions and Employee Benefits (Current and Non-Current)	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results.
Borrowing (Current and Non-Current)	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results and the reduction in the planned receipt in the form of borrowings.
Accumulated Surplus	The variance is as result of the alignment of the opening balance to the 30 June 2019 audited results and the net effect of adjustments made to income and expenditure.

#### Statement of financial position - Budget versus Actual

Cash and Call Investments	Variance is as result of improved cash levels mainly the result of a conservative approach when budgeting for cash.
Consumer Debtors	Variance is as result of reduced billing due to water restrictions being implemented during periods of drought and a more accurate provision of doubtful debt, based on historical information instead of estimates

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 41 BUDGET COMPARISONS (CONTINUED)

Other Receivables	Variance is as result of a higher Unpaid Grant receivable than estimated
Property, Plant And Equipment	Variance is as result of an increase in depreciation and reduction in capital project expenditure.
Trade and Other Payables	Variance is as result of actual cash flow not being as planned as evident from the positive variance in cash and cash equivalents as well as result of an increase in unspent grants due to the reduction in capital project expenditure.
Borrowing (Current and Non Current)	Variance is as result of no funds received during the financial year under review in the form of borrowings.
Provisions and Employee Benefits (Current)	Variance is as result of misclassification of estimates as non-current rather than current.
Provisions and Employee Benefits (Non-Current)	Variance is as result of misclassification of estimates as non-current rather than current.
Accumulated Surplus	Variance is as result of the surplus being less than estimated as well as the net effect of variances in the statement of financial position.

### Statement of financial performance - Budget Adjustments

Interest Earned - Outstanding Debtors	Increase as a result of significant arrear outstanding balances from consumers which are indicative of economic environment in which the municipality operates.
Transfers Recognised - Operational	The variance is as result of the removal of the Municipal Disaster Recovery Grant. The Grant was incorrectly allocated the Municipality rather than the Department of Roads and Transport. Funds were also transferred from planned capital projects to planned operational projects during the initial adjustments budget and from the revised operational projects to capital projects in the Special Adjustments Budget as part of the municipality's response to Covid-19.
Other Revenue	The variance is as result of the addition of actuarial gains as identified during 2018/19 Financial Year Audit and the expectation of further interest rate cuts which will result in further actuarial gains.
Employee Related Costs	Increase in provision for Long Service Awards and Post Retirement Medical Contributions previously not sufficiently provided for.
Contracted Services	The variance is as result of the removal of the Municipal Disaster Recovery Grant. The Grant was incorrectly allocated the Municipality rather than the Department of Roads and Transport. Funds were also transferred from planned operational projects to capital projects in the municipality's response to Covid-19.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 41 BUDGET COMPARISONS (CONTINUED)

Other Expenditure and Materials	The variance is as result of reprioritising of expenditure to ensure that the municipality's budget is still funded and as part of the municipality's Covid-19 response.
Transfers Recognised - Capital	The variance is as result of funds being transferred from planned capital projects to planned operational projects during the initial Adjustments Budget and from the revised operational projects to capital projects in the Special Adjustments Budget as part of the municipality's response to Covid-19

#### Statement of financial performance - Budget versus Actual

Service Charges - Water Revenue	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district.
Service Charges - Sanitation Revenue	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district.
Interest Earned - Outstanding Debtors	Variance is as result of the reduced billing and improved credit control, resulting in reduced interest being charged on outstanding debtors
Transfers Recognised - Operational	Variance mainly due to the Department of Roads and Transport grant being budgeted for in terms of a Service Level Agreement. The financial year of the two parties to the agreement differ and resulted in actual cashflows being different from projections.
Other Revenue	Variance is as result of a reduction in the demand for the relevant services from the community.
Employee Related Costs	Variance is as result of an increase in overtime related payments, including inspections by MHS staff.
Debt Impairment	Variance is as result of collection rate being better than estimated and more accurate provision of doubtful debt, based on historical information instead of estimates.
Contracted Services	Variance is as result of classification between contracted services and other expenditure and materials
Other Expenditure and Materials	Variance is as result of classification between contracted services and other expenditure and materials
Transfers Recognised - Capital	Variance is as result of the reduction in capital project expenditure

#### Cash Flow Statement - Budget Adjustments

Service Charges	Increase in line with expected funds to be recovered from service charges.
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# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 41 BUDGET COMPARISONS (CONTINUED)

Government - Operating	The variance is as result of the removal of the Municipal Disaster Recovery Grant. The Grant was incorrectly allocated the Municipality rather than the Department of Roads and Transport. Funds were also transferred from planned capital projects to planned operational projects during the initial adjustments budget and from the revised operational projects to capital projects in the Special Adjustments Budget as part of the municipality's response to Covid-19.
Government - Capital	The variance is as result of funds being transferred from planned capital projects to planned operational projects during the initial Adjustments Budget and from the revised operational projects to capital projects in the Special Adjustments Budget as part of the municipality's response to Covid-19.
Suppliers and Employees	The variance is as result of alignment of projected cashflows to the audited payables as at 30 June 2019.
Capital Assets	The variance is as result of adjusting the proposed capital expenditure by transferring funds between capital projects and
New Loans Raised	The variance is as result of the planned capital projects, funded by the planned borrowings being reduced
Cash Opening Balance	Align opening balance to audited results on 30 June 2019

#### Cash Flow Statement - Budget versus Actual

Service Charges	Variance is as result of reduced billing, partially due to the water restrictions which were implemented during the periods of drought within the district as well as the collection rate being less than estimated.
Other Revenue	Variance is as result of a reduction in the demand for the relevant services from the community.
Government - Operating	Variance mainly due to the Department of Roads and Transport grant being budgeted for in terms of a Service Level Agreement. The financial year of the two parties to the agreement differ and resulted in actual cashflows being different from projections.
Government - Capital	Variance is as result of the increase in unpaid conditional grants.
Suppliers and Employees	Variance is as result of actual cash flow not being as planned as evident from the positive variance in cash and cash equivalents as well as increase in trade and other payables
Finance Charges	Variance is as result of a decrease in estimated outstanding borrowings at year end due to no additional borrowings received during the year.
Capital Assets	Variance is as result of the reduction in capital project expenditure.
New Loans Raised	Variance is as result of no funds received during the financial year under review in the form of borrowings.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

		2020 R	2019 R
42	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>42.1 UNAUTHORISED EXPENDITURE</b>			
Unauthorised expenditure consist out of the following:			
Opening balance		164 753	164 753
Unauthorised expenditure current year - operating		109 309 505	-
Unauthorised expenditure current year - capital		-	-
Approved by Council		-	-
<b>Unauthorised expenditure awaiting approval</b>		<b>109 474 258</b>	<b>164 753</b>

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

	2020 (Actual) R	2020 (Final Budget) R	2020 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Office of the Municipal Manager	29 128 306	29 163 809	-
Financial Services	38 375 283	40 724 988	-
Corporate Services	69 828 264	63 237 131	6 591 133
Technical Services	108 256 709	110 036 478	-
Community Services	50 520 602	80 161 471	-
Institutional Support Advancement	22 320 446	24 232 498	-
Water Services Provision	343 785 815	241 067 443	102 718 372
<b>Total</b>	<b>662 215 425</b>	<b>588 623 818</b>	<b>109 309 505</b>
<b>Unauthorised expenditure - Capital</b>			
Financial Services	-	667 800	-
Corporate Services	-	100 000	-
Technical Services	54 711 483	101 741 181	-
Community Services	154 964	423 001	-
Institutional Support Advancement	190 700	1 130 000	-
Water Services Provision	53 647 094	68 000 000	-
<b>Total</b>	<b>108 704 241</b>	<b>172 061 982</b>	<b>-</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
<b>42.2 FRUITLESS AND WASTEFUL EXPENDITURE</b>		
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	-	-
Fruitless and wasteful expenditure incurred	625 130	-
Approved by Council	-	-
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>625 130</b>	<b>-</b>
Legal Fees and other associated Costs - Extension of Employment Contracts	625 130	-
<b>Total</b>	<b>625 130</b>	<b>-</b>

On the 28 March 2019 the Council resolved to rescind its previous resolution to extend the employment contracts of the Municipal Manager, the Director: Corporate Services, the Director: Technical Services and the Director: Community Services.

The matter was determined to be unlawful. A Council meeting did not sit to reverse the decision. The matter was taken to the Labour Court by the affected senior managers and a Rule Nisi was granted in favour of the managers and Joe Gqabi District Municipality was directed to pay the applicant's costs associated with this matter.

An advice was then sought from the National Treasury in this regard and they indicated that it is likely fruitless and wasteful expenditure and that it must establish an interim committee to investigate the recoverability of the identified fruitless and wasteful expenditure if the MPAC members are conflicted. The Audit committee was then tasked to investigate the matter and found that the money must be recovered from Councillors.

### 42.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	73 133 914	63 219 408
Irregular expenditure incurred	144 475 108	9 914 506
Approved by Council	-	-
<b>Irregular expenditure awaiting approval</b>	<b>217 609 022</b>	<b>73 133 914</b>
Details of Irregular expenditure incurred :		
Mvula Trust contract	-	555 817
Jogeda Contractor Development Programme	144 475 108	9 358 689
Previously disclosed - Due to PPPFA finding by AG	8 870 140	-
Due to PPPFA finding by AG - subsequent to Year end	10 544 318	9 358 689
Due to locality finding by Provincial Treasury (2018/19)	62 475 672	-
Due to locality finding by Provincial Treasury (2019/20)	62 584 978	-
<b>Total</b>	<b>144 475 108</b>	<b>9 914 506</b>



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

42

### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

Approved by council on 29 October 2020.

The Council of Joe Gqabi District Municipality took a resolution that JoGEDA be the implementing agent for the District Municipality in the implementation of identified the water and sanitation projects. JoGEDA as an entity of the Joe Gqabi District Municipality is bound by the laws and regulations affecting the parent entity. Any findings of irregular expenditure within the entity reflect on the parents records.

#### Functionality issue:

JoGEDA as an economic development agency used the locality of Joe Gqabi District Municipality as a functionality criterion in its procurement processes until December 2019 when the Auditor General raised exception to this and the Provincial Treasury further agreed with the Treasury in February 2020. This has raised an irregularity in all the procurement undertaken by JoGEDA until December 2019 as procurement was seen as a key driver of local economic development and being able to prefer local suppliers was a stated intention of the agency. The finding has been that locality of Joe Gqabi District Municipality cannot be used as a functionality criterion as the policy refers to South African being the local area and this may be seen as unfair to all bidders.

Due to this finding, management has reviewed all tenders awarded prior to the ruling on the matter of locality and included those in irregular expenditure.

#### Mvula Trust contract

The termination of the Mvula Trust contract relating to the irregular expenditure identified in 2017/18 was only concluded in the 2018/19 FY resulting is some limited expenditure still being recorded as part of termination processes. Two invoices are still under dispute This related to a contract that was entered into between JGDM and Mvula Trust utilising the Municipal SCM Regulation 32(1) which states that a SCM policy may allow the accounting officer to procure goods or services for the municipality under a contract secured by another organ of the state, for managing the implementation of Rural Water and Sanitation Programme as an implementing agent. This was following a process allowed in terms of section 110 of the MFMA. In March 2011 JGDM participated in a Regulation 32 contract after establishing the below:

- A contract was secured by the Eastern Cape Department of Human Settlements by means of a competitive bidding process applicable to the Eastern Cape Department of Human Settlements (organ of state) with Mvula Trust.
- In line with sub-regulation (1)(a) and (1)(b) the municipality had confirmed there was no reason to believe that such contract was not validly procured by the Eastern Cape Department of Human Settlements.
- There were demonstrable benefits for the municipality to do so; and
- The Eastern Cape Department of Human Settlements, JGDM and Mvula Trust had consented to such procurement in writing.

In application of Regulation 32, the municipality had a proper demand management plan in place that was based on the service delivery and budget implementation plan. As an implementing agent, Mvula Trust procured goods and services through the use of competitive bidding processes to secure contractors and service providers.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

42

### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

The contract between Eastern Cape Department of Human Settlements and Mvula trust expired in September 2013. The contract of JGDM expired in June 2016. It was further extended in line with section 116 of the MFMA and this was reviewed during the 2016/17 audit by the AG and determined as compliant.

Throughout the period from 2011 to date the deliverables and expenditure have been audited and value for money was assessed and no findings contrary to good governance were identified. The accounting officer has also accordingly determined that no official is responsible from whom the amount should be recovered.

#### Jogeda Contractor Development Programme

During 2018/19 financial year the Joe Gqabi Economic Development Agency established a contractor development programme for the construction of Ventilated Improved Pit (VIP) toilets in the rural areas of Senqu and Elundini local municipalities. It has been determined that giving preference to contractors in the Joe Gqabi District Area and setting of a standard price for CIDB 1 contractors is deemed to be contrary to legislated prescripts. As Joe Gqabi District Municipality is the shareholder of the entity the non compliance with legislation is reflected as irregular expenditure in the records of the institution.

#### 42.4 MATERIAL LOSSES

##### Water distribution losses

Kilo litres raw	17 036 131	17 579 505
Kilo litres treated	13 376 354	12 543 541
Kilo litres sold	(10 836 087)	(11 440 172)
	<hr/>	<hr/>
Kilo litres lost during cleaning	3 659 777	5 035 964
Kilo litres lost from treated	2 540 267	1 103 369
Kilo litres lost from raw	6 200 044	6 139 333
	<hr/>	<hr/>
Percentage water lost during cleaning	21.48%	28.65%
Percentage lost from treated vs billed	18.99%	8.80%
Percentage water lost since abstraction	36.39%	34.92%
	<hr/>	<hr/>
Average cost per kilolitre in Rands	17.75	10.23
Loss in Rand value (Raw)	110 050 781	62 805 377
Loss in Rand value (Treated)	45 089 739	11 287 465

**2020**  
**R**

**2019**  
**R**

43

### ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 43.1 Salga Contributions [MFMA 125 (1)(b)]

Council subscriptions	2 149 460	1 958 020
Payments	(2 149 460)	(1 958 020)
	<hr/>	<hr/>
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
<b>43.2 Audit Fees [MFMA 125 (1)(c)]</b>		
Opening balance	-	160 257
Current year audit fee	3 395 009	3 449 633
Amount paid	(3 422 529)	(3 449 633)
Amount paid - previous year	-	(160 257)
<b>Advance Payment</b>	<b>(27 520)</b>	<b>-</b>
<b>43.3 VAT [MFMA 125 (1)(c)]</b>		
Opening balance	3 954 366	8 340 168
Amounts received during the year	(30 035 149)	(47 342 238)
Amounts paid during the year	33 233 561	42 956 436
<b>Outstanding Balance</b>	<b>7 152 779</b>	<b>3 954 366</b>
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
<b>43.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
Opening balance	2 995 644	12 534 220
Current year payroll deductions and Council Contributions	37 168 811	37 326 744
Amount paid - current year	(37 168 811)	(34 331 100)
Amount paid - previous year	(2 995 644)	(12 534 220)
<b>Outstanding Balance</b>	<b>-</b>	<b>2 995 644</b>
<b>43.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]</b>		
Opening balance	3 609 990	3 400 742
Current year payroll deductions and Council Contributions	45 609 005	42 727 112
Amount paid - current year	(45 609 005)	(39 117 123)
Amount paid - previous year	(3 609 990)	(3 400 742)
<b>Outstanding Balance</b>	<b>-</b>	<b>3 609 990</b>
<b>43.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]</b>		
There are no overdue councillor accounts.		

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
<b>43.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM</b>		
Approved deviations from Supply Chain Management Regulations were identified on the following categories:		
Emergencies	13 175 043	11 044 459
Goods or services are produced or available from a single provider only	-	548 787
Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and Quotes	1 350 699	39 095 822
<b>Total</b>	<b>14 525 742</b>	<b>50 689 068</b>
<p>“strip and quote” this is an estimate by a technical person to scope to ascertain any hidden or latent defects before repairs can be started.</p> <p>“impractical” where, for example, repairs need to be done and it is not possible for the municipality to ascertain or specify the nature or extent of the work required. This may require a “strip and quote” to determine the scope of work to be done to rectify the situation. This may require dismantling of the asset. This is common on mechanical, electrical and related repairs.</p> <p>Deviations per department:</p>		
Office of the Municipal Manager	-	18 864
ISA	701 026	2 002 167
Financial Services	36 915	62 834
Corporate Services	497 733	1 910 110
Community Services	9 442	885 050
Technical Services	5 058 800	394 062
Water Service Provision	8 221 826	43 747 082
Combined departments	-	1 668 899
<b>Total</b>	<b>14 525 742</b>	<b>50 689 068</b>

### 43.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

None

### 43.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44) and entities where spouses of suppliers are in service of the state (SCM 45):

None

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	2020 R	2019 R
<b>44 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of Capital Expenditure:</b>	<b>441 285 366</b>	<b>82 573 863</b>
Approved and contracted for:		
Infrastructure	441 285 366	82 573 863
<b>Total</b>	<b>441 285 366</b>	<b>82 573 863</b>
 This expenditure will be financed from:		
Government Grants	441 285 366	82 573 863
<b>Total</b>	<b>441 285 366</b>	<b>82 573 863</b>

The prior year figure was amended due to the retention incorrectly included in the balance disclosed

### 45 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

#### 45.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	2020 R	2019 R
Receivables from Exchange Transactions	278 171 640	213 270 410
Cash and Cash Equivalents	21 452 334	4 809 472
Non-current Investments	3 759 509	3 665 509
Unpaid Conditional Grants and Subsidies	13 774 059	10 611 386
<b>Total</b>	<b>317 157 542</b>	<b>232 356 777</b>

#### Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE Stock Exchange. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held, no cash were pledged as security and no collateral is held for any cash and cash equivalents, other than the following:

Credit risk is further managed and guided by the Cash Management and Investment Policy.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 45 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 4 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
Water	197 714 312	138 974 858
Sanitation	64 656 156	118 662 206
Other Services	32 279	3 500
Staff and other debtors	1 832 396	-
<b>Total</b>	<b>264 235 143</b>	<b>257 640 564</b>

These receivables can be aged as follows:

1 Month Past due	15 365 180	13 613 798
2 Months Past due	11 778 630	14 301 359
3 Months and more Past due	237 091 332	229 725 407
<b>Total</b>	<b>264 235 143</b>	<b>257 640 564</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 45 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Non-Current Investments

Non-Current Investments consist out of a fixed deposit at the Development Bank of South Africa as well as an investment in a municipal entity. Management assessed the risk of counter party default on these investments as low.

Refer to note 6 for more detail with regards to these assets and any impairment charges raised against these investments to reduce the carrying value of the investment in line with its recoverable amount.

#### Unpaid Conditional Government Grants

Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed. Amounts are receivable from national and provincial government and there are no expectation of counter party will default.

#### 45.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the municipality is not directly exposed to any currency risk.

#### 45.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	2020 R	2019 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	21 452 334	4 809 472
Long-term Liabilities (Including Current Portion)	(3 328 039)	(6 171 877)
<b>Net balance exposed</b>	<b>18 124 295</b>	<b>(1 362 405)</b>

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% (2019 - 0.5%) increase in interest rates	90 621	(6 812)
0.5% (2019 - 1%) decrease in interest rates	(181 243)	13 624

A slowdown in Local and International economic activity (due to the COVID 19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements during the next 12 months.

#### 45.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 45 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

#### 30 JUNE 2020

	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	968 850	3 390 976	-
Payables from exchange transactions	112 991 048	-	-
<b>Total</b>	<b>113 959 898</b>	<b>3 390 976</b>	<b>-</b>

#### 30 JUNE 2019

	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	2 260 214	3 875 401	484 425
Finance Leases	1 108 218	-	-
Payables from exchange transactions	105 640 454	-	-
<b>Total</b>	<b>109 008 886</b>	<b>3 875 401</b>	<b>484 425</b>

The liquidity risk is further managed and guided by the Liquidity Policy.

There were no changes to the exposure to liquidity risk and how the risk is managed during the period under

Unspent Conditional Government Grants were removed from the disclosure as it does not meet the definition of a financial liability. There are no contractual counter party.

Payables from exchange transactions were also restated to remove payments in advance as well as unallocated deposits, as it does not meet the definition of a financial instrument and there are no expectation that funds will flow out of the municipality as a result of these liabilities recognised. Also, there are no contractual counter party.

#### 45.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 46 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments  
(All balances are recognised at amortised cost.)

	2020 R	2019 R
<u>Financial Assets</u>		
Fixed Deposits (Zero coupon)	1 865 454	1 771 453
Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	278 171 640	213 270 410
Cash and Cash Equivalents	21 523 934	4 845 072
Unpaid Conditional Government Grants and Receipts	13 774 059	10 611 386
<b>Total</b>	<b>317 229 142</b>	<b>232 392 377</b>
<u>Financial Liabilities</u>		
Long-term Liabilities	2 724 440	3 546 390
Trade and Other Payables	112 991 048	105 640 454
Current Portion of Long-term Liabilities	2 214 532	2 625 487
<b>Total</b>	<b>117 930 019</b>	<b>111 812 331</b>

Unspent Conditional Government Grants were removed from the disclosure as it does not meet the definition of a financial liability. There are no contractual counter party.

Payables from exchange transactions were also restated to remove payments in advance as well as unallocated deposits, as it does not meet the definition of a financial instrument and there are no expectation that funds will flow out of the municipality as a result of these liabilities recognised. Also, there are no contractual counter party.

	2020 R	2019 R
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### 47 STATUTORY RECEIVABLES

No Statutory receivables to be recognised in terms of GRAP 108.

### 48 EVENTS AFTER REPORTING DATE

**48.1** The national state of disaster has been extended until 15 November 2020. Refer to note 55 where the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.

#### 48.2

Fraudulent bid documents - Sesithi Co-operative was awarded work under the Mvula Trust water and sanitation prior to this programme being taken over by the JOGEDA. As the transfer of programme was seen as transfer of a going concern, all issues initiated by the Mvula Trust became findings against JOGEDA.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 48 EVENTS AFTER REPORTING DATE (CONTINUED)

It was determined subsequent to the award by Mvula Trust and the work having been completed that the Sesethi Co-operative had submitted fraudulent documents at the time of original bidding, which had enabled them to gain an unfair advantage and be awarded the work under bid CONSTRUCTION OF PRECAST CONCRETE VIP TOILETS UTILISING PROVIDED PRECAST TOP STRUCTURES FOR ELUNDINI LOCAL MUNICIPALITY: BID NUMBER: JoGEDNSCM/19/2019/20-Work Package 3. The fraudulent or misrepresented documentation claimed experience for work that had occurred before it existed as a company and or claimed work through provision of completion certificates as being done but which was subsequently found to be false. Award amounted to R 304 791.

### 49 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations during the year. Refer to 18 for Public contributions and donations received during the year.

### 50 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

### 51 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

#### Liabilities applicable to both 30 June 2020 and 30 June 2019

**51.01** The Municipality is contesting a claim from a Service provider of a Municipal Service provider. A claim has been received for materials delivered on a project. The municipality signed a cession agreement with the service provider appointed to pay their service provider on their behalf, however the claim was never submitted that work has been done. The order on which the cession was signed was fully paid to the JGDM appointed Service provider because the session was signed subsequent to payment already made. Claim amount is R490 000 and the likelihood is deemed medium (2019: low)for the municipality loosing the case.

**51.02** The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their expert witness evidence. Trial run was from 05/02/2019 - 19/02/2019 and the Municipality is awaiting judgement. Likelihood for the Municipality of loosing this case is deemed low. The judgement was received and unfortunately it was against the Municipality and the Municipality had to petition the SCA for leave to appeal after Grahamstown High Court did not grant leave to appeal. SCA found in favour of the Municipality and granted the appeal to proceed before the full bench in Grahamstown High Court. Awaiting date of appeal form the Registrar of the Grahamstown High Court. The likelihood of losing he case is deemed medium at this stage.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 51 CONTINGENT LIABILITIES (CONTINUED)

- 51.03** The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 551 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 802. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.
- 51.04** A summons and a notice of intention has been filled against the Municipality. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. This matter is awaiting a court date. The claim amounts to R272 550. This matter was before the Court and it was settled since the applicants withdrew their claim of R272 550 and agreed to settle for an amount of R17 580 and such amount has since been paid by the Insurance Company of the Municipality. The only thing that is still outstanding is the Cost order that the Court has not yet decided on.
- 51.05** There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim. The case is Pending, JGDM filed a notice of exception. The claim amount R754 703. Likelihood of the municipality to loose this case is medium to low. The amount of the claim in this case is R382 119.66 and we are waiting for the Court date and the likelihood of losing this case is still low.
- 51.06** A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. No court date has been set as on the reporting date. The claim amounts to R800 000. The matter is dormant since the Plaintiff is not pursuing the matter anymore and he came to the office saying he does not have the money to pay his advocate to continue with the case.
- 51.07** There is an eviction claim for a property the municipality believes to belong to the municipality. The likelihood is considered to be low that the municipality will lose this case. The case is currently pending to proceed to litigation. In this case the Municipality is likely to lose because it does not have a title deed for the property they feel belongs to them, and there is not witnesses willing to testify on behalf of the Municipality. The likelihood of losing this case is high at this time.
- 51.08** There is a claim from Telkom for infrastructure damages to the value of R110 000. Legal proceedings have not commenced as at year end. The likelihood of the municipality losing is considered to be medium to low. No claim has commenced even in this financial year.
- 51.09** There is another claim from a service provider for services rendered that are contested by the municipality. The matter was withdrawn but is still pending. The likelihood of the municipality losing is low.
- 51.10** A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. Case is pending a resolution between the Service provider and their third party for the case to proceed. The claim value is R376 000. This is Bunono case and it was settled between the parties and could not proceed to Court.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 51 CONTINGENT LIABILITIES (CONTINUED)

- 51.11** Jozana community development trust has lodged a claim against the Minister of Rural land and reform to allow the development of the eco-tourism project at the Jozana Dam and the municipality is cited only as a District Municipality since the claimant believes the dam falls under this Municipality. It is however a DWS owned dam. The case is pending as the matter has not yet proceeded to litigation. Likelihood of the municipality losing the case is considered low.

#### Liabilities applicable to 30 June 2019 only

- 51.12** Another matter where the Municipal Property was wrongfully attached by SAMWU. The likelihood of losing this case is very low since we have successfully defended the case and the rule was granted in favour of the Municipality and the attachment has been removed. The return date of the case is the 16th of October 2020 in the Grahamstown High Court.
- 51.13** Mamsefane Trading/JGDM, this is a case where the Applicant was challenging an issue of unsolicited bidding process and a rule was granted in favour of the Applicant, but this case was settled out of Court but the Municipality had to pay the Costs of the Applicant.
- 51.14** Pierre Nel/JDGM - this is a claim for damages after Mr Nel had an accident after entering into a pothole where he claims that the Municipality was negligent. The likelihood of losing the case is low because the road where the accident occurred is not the obligation of the District Municipality.
- 51.15** TA Stera Enterprise - This is a case where the plaintiff is claiming an amount of R1 800 000 saying there was an illegitimate expectation created by one of the employees of the Municipality where he applied for a tender and such was not granted to him. The likelihood of losing the case is medium. Notice of intention to sue was received and no summons yet.

### 52 CONTINGENT ASSETS

The municipality has the following contingent assets at year end:

#### Assets applicable to both 30 June 2020 and 30 June 2019

- 52.01** The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unsure at this stage. The matter has been referred to the Municipal attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date. The municipality is awaiting the investigation report to proceed with litigation. No report is forthcoming after numerous correspondence to the Medical Aid and the Municipal Attorneys are proceeding with summons against Medichex and Hosmed.

#### Assets applicable to 30 June 2019 only

- 52.02** There is also another case where the Municipality paid a service provider in error and such provider is refusing to pay back the money. The claim of the Municipality is the amount of R96 493.16 and the likelihood of the Municipality losing the case is medium since the defendant has died and the Municipality is going against the estate of the defendant and no liquidation and distribution account is complete yet.
- 52.03** There is an amount of R287 823.18 which is a contingent asset in the matter of WDR Earthmoving Enterprise v JDGM which relates to costs that the Municipality has to recover from Amadwala.

### 53 B-BBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 54 RELATED PARTIES

Related parties are defined in note 1.35

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 26 and 27

No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review. During the 2018/19 business was conducted with the Ekhipine Community Radio station to the value of R46 358. Thabo Motloi and Cllr Phuza are non-executive directors.

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 10 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA.

The Municipality paid a grant to JoGEDA as disclosed in note 34.

Also refer to note 56 relating to the principle agent relationship between the municipality and JoGEDA.

### 55 IMPACT OF COVID-19 ON FINANCIAL SUSTAINABILITY

Joe Gqabi District Municipality is in no way totally immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.

Due to the fact that a majority of the municipal revenue is derived from grants and services to other organs of state, the potential negative effect that COVID-19 had on the major operations, financial sustainability indicators and cashflows are not yet visible on reporting date.

With regards to Water and Sanitation services, the municipality did experience a slight decline (from a historical low recoverability base) in recovery rate for these services. The municipality did however sufficiently provide for this non-recoverability and steps are being taken to improve collectability (ie installation of pre-paid meters)

The Municipality incurred expenditure amounting to R 9 533 657 in the fight against the COVID-19 pandemic. R 2 235 000 of the aforementioned expenditure were funded from grants.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 56 ACCOUNTING FOR PRINCIPLES AND AGENTS

The municipality act as Principle in its binding arrangement with Joe Gqabi Economic Development Agency (Soc) Ltd, which is a fully owned municipal entity. The Joe Gqabi Economic Development Agency (Soc) Ltd engages with service providers and contractors on behalf of the municipality during the implementation of the municipal operating and capital projects. An agency fee is paid to the Joe Gqabi Economic Development Agency (Soc) Ltd in this regard. The following fees were paid and receivables were raised as a result of the agreement:

	2020 R	2019 R
Fees Paid to Joe Gqabi Economic Development Agency (Soc) Ltd (Excluding VAT)	15 796 197	9 769 881
Implementing fee payable (Including VAT)	5 514 009	2 905 605

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 57 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>Financial Performance</b>						
Service charges	167 059 238	-	167 059 238	123 252 192	(43 807 046)	124 541 317
Investment revenue	6 720 437	-	6 720 437	2 399 572	(4 320 865)	3 255 361
Transfers recognised - operational	450 218 700	(42 688 158)	407 530 542	427 413 174	19 882 632	405 334 383
Other own revenue	38 285 397	23 845 045	62 130 442	48 678 582	(13 451 860)	37 680 368
<b>Total Operating Revenue</b>	<b>662 283 772</b>	<b>(18 843 113)</b>	<b>643 440 659</b>	<b>601 743 520</b>	<b>(41 697 139)</b>	<b>570 811 430</b>
Employee costs	226 045 917	5 167 744	231 213 661	238 217 407	7 003 746	222 350 946
Remuneration of councillors	6 062 281	-	6 062 281	6 056 030	(6 251)	5 979 722
Debt impairment	76 020 004	-	76 020 004	63 821 053	(12 198 951)	71 724 178
Depreciation & asset impairment	49 956 515	23 228	49 979 743	123 915 975	73 936 232	54 752 453
Finance charges	7 561 437	(1 631 437)	5 930 000	4 246 367	(1 683 633)	5 302 597
Bulk purchases	7 000 000	(1 250 000)	5 750 000	6 628 169	878 169	5 742 801
Transfers and grants	11 715 000	(3 098 399)	8 616 601	6 610 114	(2 006 487)	8 900 000
Other Expenditure and Materials	224 462 615	(19 411 087)	205 051 528	212 720 309	7 668 781	220 894 439
<b>Total Expenditure</b>	<b>608 823 769</b>	<b>(20 199 951)</b>	<b>588 623 818</b>	<b>662 215 425</b>	<b>73 591 607</b>	<b>595 647 135</b>
<b>Surplus/(Deficit)</b>	<b>53 460 003</b>	<b>1 356 838</b>	<b>54 816 841</b>	<b>(60 471 905)</b>	<b>(115 288 746)</b>	<b>(24 835 705)</b>
Transfers recognised - capital	165 024 600	(5 283 419)	159 741 181	130 682 148	(29 059 033)	127 552 820
<b>Surplus/(Deficit) for the year</b>	<b>218 484 603</b>	<b>(3 926 581)</b>	<b>214 558 022</b>	<b>70 210 243</b>	<b>(144 347 779)</b>	<b>102 717 114</b>

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 57 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>241 934 000</b>	<b>(69 872 018)</b>	<b>172 061 982</b>	<b>108 704 241</b>	<b>(280 766 223)</b>	<b>128 777 945</b>
Transfers recognised - capital	165 024 000	(5 282 819)	159 741 181	130 682 148	(290 423 329)	127 552 820
Borrowing	72 500 000	(62 500 000)	10 000 000	-	(10 000 000)	-
Internally generated funds	4 410 000	(2 089 199)	2 320 801	(21 977 906)	19 657 105	1 225 125
<b>Total sources of capital funds</b>	<b>241 934 000</b>	<b>(69 872 018)</b>	<b>172 061 982</b>	<b>108 704 241</b>	<b>(280 766 223)</b>	<b>128 777 945</b>
<b>Cash flows</b>						
Net cash from (used) operating	205 042 337	(39 588 474)	165 453 863	128 172 557	(37 281 306)	123 870 033
Net cash from (used) investing	(241 934 000)	69 871 720	(172 062 280)	(108 704 241)	63 358 039	(128 777 945)
Net cash from (used) financing	69 630 000	(61 236 152)	8 393 848	(2 789 453)	(11 183 301)	(2 901 596)
<b>Net Cash Movement for the year</b>	<b>32 738 337</b>	<b>(30 952 906)</b>	<b>1 785 431</b>	<b>16 678 863</b>	<b>14 893 432</b>	<b>(7 809 508)</b>
Cash/cash equivalents at beginning of year	27 702 374	(22 856 898)	4 845 476	4 845 072	(404)	12 654 580
<b>Cash/cash equivalents at the year end</b>	<b>60 440 711</b>	<b>(53 809 804)</b>	<b>6 630 907</b>	<b>21 523 935</b>	<b>14 893 028</b>	<b>4 845 071</b>



# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2020

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2019 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2020 R
<b><u>ANNUITY LOANS</u></b>							
DBSA - Building - c/o Graham and Cole street, Barkly East	3044713107	11.50%	2024/12/31	3 863 170	-	(535 131)	3 328 039
ABSA - Water meter loan	88397067	10.73%	2020/03/01	1 224 702	-	(1 224 702)	-
<b>Total Annuity Loans</b>				<b>5 087 872</b>	<b>-</b>	<b>(1 759 833)</b>	<b>3 328 039</b>
<b><u>FINANCE LEASES</u></b>							
ABSA Vehicle Finance		Prime	2019/10/31	1 084 005	-	(1 084 005)	-
<b>Total Annuity Loans</b>				<b>1 084 005</b>	<b>-</b>	<b>(1 084 005)</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>				<b>6 171 877</b>	<b>-</b>	<b>(2 843 838)</b>	<b>3 328 039</b>

# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2020

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	TRANSFER TO/ (FROM) RECEIVABLES	FUNDS RETURNED TO NT	CLOSING BALANCE
	R	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>							
Equitable Share	-	273 796 000	(273 796 000)	-	-	-	-
Financial Management Grant (FMG)	-	1 785 000	(1 785 868)	-	868	-	-
Municipal Infrastructure Grant (MIG)	-	156 868 000	(99 801 564)	(57 066 436)	-	-	-
Water Services Infrastructure Grant (WSIG)	5 675 589	84 000 000	(20 512 399)	(69 163 190)	-	-	-
Expanded Public Works Program (EPWP)	-	1 504 000	(1 504 000)	-	-	-	-
Rural Roads Asset Management Grant	2 080 535	2 315 000	-	-	-	(2 185 000)	2 210 535
Disaster Relief (COVID 19)	-	2 235 000	(2 235 000)	-	-	-	-
Rural Households Infrastructure Grant	4 000	-	-	-	-	-	4 000
<b>Total</b>	<b>7 760 124</b>	<b>522 503 000</b>	<b>(399 634 832)</b>	<b>(126 229 626)</b>	<b>868</b>	<b>(2 185 000)</b>	<b>2 214 532</b>
<b>PROVINCIAL GOVERNMENT</b>							
Provincial Treasury drought relief programme	-	5 105 220	(652 698)	(4 452 522)	-	-	-
Public Works - Special Programme	-	23 902 270	(27 064 076)	-	3 161 806	-	-
<b>Total</b>	<b>-</b>	<b>29 007 490</b>	<b>(27 716 774)</b>	<b>(4 452 522)</b>	<b>3 161 806</b>	<b>-</b>	<b>-</b>
<b>OTHER GRANT PROVIDERS</b>							
LG Seta	-	61 568	(61 568)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>61 568</b>	<b>(61 568)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>7 760 124</b>	<b>551 572 058</b>	<b>(427 413 174)</b>	<b>(130 682 148)</b>	<b>3 162 675</b>	<b>(2 185 000)</b>	<b>2 214 532</b>